HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
AUGUST 28, 2013
APPLICATION SUMMARY

NAME OF PROJECT:	Cookeville Regional Medical Center
PROJECT NUMBER:	CN1305-016
ADDRESS:	1 Medical Center Blvd. Cookeville (Putnam County), TN 38501
LEGAL OWNER:	Cookeville Regional Medical Center Authority 1 Medical Center Blvd. Cookeville (Putnam County), TN 38501
OPERATING ENTITY:	Not Applicable
CONTACT PERSON:	Paul Korth, Chief Executive Officer (931) 783-2000
DATE FILED:	May 9, 2013
PROJECT COST:	$11,547,624.00
FINANCING:	Cash Reserves
REASON FOR FILING:	Modification to the existing hospital costing in excess of $5.0 million

DESCRIPTION:

Cookeville Regional Medical Center (CRMC) located a 1 Medical Center Boulevard, Cookeville (Putnam County) is seeking approval for the renovation and expansion of the applicant's Central Sterile Supply Department as well as the replacement of equipment within the Central Sterile Supply Department. The project also includes the relocation and expansion of the inpatient Pharmacy Department. The total cost of the proposed project is $11,547,624.

CRITERIA AND STANDARDS REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

   This criterion does not apply

2. **For relocation or replacement of an existing licensed health care institution:**
   a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

      This criterion does not apply

   b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

      This criterion does not apply

3. **For renovation or expansions of an existing licensed health care institution:**

   a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

   The applicant reports the following as justification:
   - 30% percent increase in processing surgery case carts and instrument sets from 2008 to 2011. In addition, there has been a 20% increase in FY 2013.
   - Surgical suite expansion in December 2012 which increased ORs by 6 from 10 to 16.
   - Expansion in the number of surgical sets needed per case from 8.6 in 2009 to 8.9 in 2011.
   - Physician recruitment in the community-2 new cardiologists in July 2013 and an OB/GYN in September 2013. An additional urologist is slated for late 2013.

- Aging and insufficient equipment-All the major equipment for the Central Sterile Supply (CSS) is over 12 years old. An expansion of space is needed for the replacement of existing equipment with modern sterilization equipment. Attempting to replace equipment without expanding space would severely disrupt surgical services.
- Pharmacy relocation and expansion will improve efficiency and allow for expansion of additional hoods for sterile compounding and an additional medicine carousel.
- Pharmacy relocation and Central Sterile Supply expansion can be phased so there is no disruption of patient services.

Central Sterile Supply (CSS) is currently bordered on three sides by exterior walls and on the fourth, by the Pharmacy Department. The Pharmacy Department will relocate into shelled space in the North Patient Tower which will permit the expansion of both CSS and the Pharmacy Department.

It appears that the application meets this criterion.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The CSS Department has not had any increase in space or added any new equipment in over twelve years even though the facility has continued to grow in daily census and in surgical volume. The number of carts is projected to increase by 28% from 8,260 in 2010 to 10,554 in 2017. The number of medical instrument sets processed is projected to increase by 44.8 % from 2010 (72,952) to 2017 (105,251).

The Pharmacy has outgrown its current space and relocating it to the shelled in space on the first floor will improve workflow and allow for any needed expansion for the next 10-15 years.

It appears that the application meets this criterion.

SUMMARY:

Cookeville Regional Medical Center (CRMC) is an acute care hospital that operates as the tertiary care referral center for its 13 county service area in the Upper Cumberland Plateau (between Nashville and Knoxville). In addition to acute care services, it offers programs in heart care, cancer care, neurosurgery and neonatal intensive care.

This project requires CON approval because it proposes a modification to the hospital costing in excess of 5 million dollars. The proposal includes the renovation and expansion of the Central Sterile Supply (CSS) Department which supports the hospital's surgical department and the relocation and expansion of the Pharmacy Department into shelled space in the North Tower. The construction is planned in seven major phases beginning with demolition of the vacant pharmacy space and construction of the new decontamination area and support spaces. After the relocation of the pharmacy, the construction of the new CSS area will begin. Construction has been phased to limit disruption of patient services. Neither the CSS nor the Pharmacy provide direct patient care so this project will not change the number of employees in the CSS (43) nor the Pharmacy (48)

Two previously approved projects impact this proposal.

The most recent was an approval on November 7, 2010 for the major expansion and renovation of the Surgical Department (CN1008-035A). The project included the construction of 6 new operating rooms which increased ORs from 10 to 16, expansion of the Pre/Post PACU (Post Anesthesia Care Unit) from 14 to 19 stations, and renovation of various support areas in the existing surgery department. The project was completed in December 2012.

CRMC also received approval at the August 24, 2005 Agency meeting for a major renovation and construction project costing in excess of 67 million dollars (CN0505-039A). In addition to renovations of the existing building, a new 6 story North Patient Tower was constructed. The project involved 216,360 total square feet (SF), including 4,175 SF of renovated space and 212,185 SF of new construction that included shelled-in space. This project was completed in November 2009.

Central Sterile Supply

The Central Sterile Supply Department (CSS) is described by the applicant as the service within the CRMC in which medical/surgical supplies and equipment, both sterile and non-sterile, are cleaned, prepared, processed, stored, and issued for patient care. The current CSS currently consists of 9,226 square feet and is equipped with 2 washer/disinfectors, 1 small sterilizer, 2 medium sterilizers, 1 cart wash and 1 sonic washer. The applicant states the CSS equipment is over 12 years old and is in need of constant repair. The project will expand CSS to 15,368 square feet and will replace all major sterilizing equipment with 4 washer/disinfectors, 4 sterilizers (3 automated), 1 large capacity cart wash and 1 sonic washer that are validated for a Da Vinci robotic wrist.

The applicant indicates the existing CSS department is ideally located on the second floor of the East wing directly above the existing Surgery department and connected by two elevators for clean and soiled transport of supplies and instruments. The applicant states there is no suitable area within the existing facility for a complete relocation of the existing CSS department. The existing CSS department is bordered by exterior walls on three sides and the Pharmacy department on the fourth. The existing 4,155 square foot pharmacy department requires relocation to allow for the expansion and renovation of the CSS department. The applicant states this replacement more than doubles the current through-put capacity to process trays and case carts and would support in excess of 60 surgery cases per day.

The following table from the supplemental response indicates Cookeville Regional Medical Center will provide a total of 8,733 inpatient and outpatient surgeries in the Year 2017. On average, a total of 23.9 inpatient and outpatient surgeries will be conducted each day in 2017. Inpatient Surgeries will increase +7.3% from 2010 to 2017, Outpatient Surgeries +11.6%, Surgery Case Carts Built +27.7% and Instrument Set Processed +44.6%. The applicant indicates one case cart is typically used per surgical procedure, and on average a surgical case requires eight (8) surgical sets.

Cookeville Regional Medical Center
Surgery and CSS Utilization and Projections

Department/Service	2010	2011	2012	2013	2016	2017	% increase 10'-17'
Inpatient Surgeries	3,348	3,035	3,108	3,200	3,491	3,593	+7.3%
Outpatient Surgeries	4,606	4,152	4,441	4,573	4,993	5,140	+11.6%
Case Carts Built	8,260	9,294	7,235	8,683	10,051	10,554	+27.7%
Instrument Sets Processed	72,952	82,467	71,436	85,616	100,239	105,251	+44.6%

Source: CN13005-016 Supplemental

Construction of the CSS department includes the complete 2nd floor renovation of the 15,368 square feet of space from floor deck to deck above, including all finishes, all HVAC, plumbing, fire protection and electrical work. The proposed Central Sterile Supply renovation and expansion is anticipated to require 20-24 months to complete. CSS has not had any increase in space or added any new equipment in over twelve years.

In a letter dated April 26, 2013 the architectural firm of Gresham, Smith and Partners based in Nashville, TN indicates the proposed project will meet all applicable building codes. In addition, the firm states the projected cost is reasonable for this type and size of project and compares appropriately with similar projects in the market.

Pharmacy

The applicant indicates the current pharmacy occupies 4,155 square feet and will be expanded to 5,781 square feet in shelled space on the first floor of the A wing of the North Patient Tower. The new Pharmacy will contain a relocated robot, relocated carousel, a new carousel, sterile compounding clean room with four workstations, consolidated storage/refrigerated storage, dedicated receiving and purchasing functions, seventeen (17) workspaces and four (4) offices for pharmacists, clinicians and students. The added 1,626 square feet associated with this proposed project will improve the efficiency of the pharmacy and allow for the expansion of additional hoods for sterile compounding, and an additional medicine carousel.

Construction of the Pharmacy includes the build-out of 5,781 SF of shelled space on the first floor of the North Patient Tower that includes a floor slab, all finishes, all HVAC, plumbing, fire protection and electrical work. It is anticipated the

Pharmacy construction will require seven (7) months to complete. The last renovation to the Pharmacy was in 2006 when a robot was added for more efficient pharmaceutical dispensing.

Hospital Information

CRMC is currently licensed as an acute care general hospital by the Tennessee Department of Health and accredited by the Joint Commission on the Accreditation of Healthcare Organizations (The Joint Commission). CRMC is government owned and operated by the Cookeville Regional Medical Center Authority (CRMCA) of Cookeville, Tennessee (private act hospital authority) which leases the real estate assets from the City of Cookeville.

According to the 2012 Joint Annual Report, CRMC reported 247 licensed and 243 staffed hospital beds resulting in licensed and staffed bed occupancies of 68% and 69.2%, respectively. Per the Department of Health, the definition of the two bed categories with respect to the information provided in the Joint Annual Report is as follows:

Licensed Beds- The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).

Staffed Beds-The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.

CRMC's primary service area is Putnam, Jackson, Overton and White Counties. The secondary service area includes Clay, Cumberland, DeKalb, Fentress, Macon, Pickett, Smith, Van Buren and Warren Counties. According to the Tennessee Department of Health, the population of the thirteen county service area is expected to increase by approximately 3.7% from 331,488 persons in 2013 to a total of 343,825 persons in 2017. The overall statewide population is projected to also grow by 3.7%. According to the latest 2012 data, TennCare enrollees comprise a greater proportion of the total service area population as compared to the statewide enrollment proportion- 21.2% to 18.4%.

Projected Data Chart

Overall hospital utilization is projected to increase by 2.5% between the 1st (2016) and 2nd (2017) years of operation—from 63,361 patient days to 64,945 patient days. Gross operating revenue is reported as $505,138,664 ($8,411 per patient

day) in Year One increasing to $535,171,291 in Year Two. Year One annual operating income is projected to be $4,132,448 increasing to $4,403,260 in Year Two.

In Year One, 56.6% of the hospital's gross revenue will be from Medicare ($533,171,291) and 11.3% from TennCare/Medicaid ($60,248,356) Cookeville Regional Medical Center's audited financial statement, dated June 30, 2012, reports current assets as $55,728,340 and current liabilities as $25,444,571 with a current ratio of 2.19:1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Historical Data Chart

CRMC reported a net operating gain of $4,544,027 in its 2012 fiscal year period, a margin of approximately .9% of gross operating revenues (from a 2.7% margin in 2010). Gross Operating Revenue was reported as $430,757,453 in 2010, $479,801,010 in 2011 and $505,138,664 in 2012.

Project Cost

The total estimated project cost is $11,547,624 is allocated in the following manner:

- Construction- $7,889,419
- Site preparation- $ 25,000
- Fixed equipment- $2,559,128
- Architectural/Engineering fees- $ 709,500
- Permits - $ 25,199
- Contingency- $ 313,456
- CON filing fees- $ 25,923

The $373 hospital construction cost per square foot (SF) is above the 3st quartile cost of $249.99/SF for the total construction/ sq. ft. cost for renovated construction projects approved by the Agency between 2010 and 2012. The applicant provided the following items skewed the construction cost per SF:

- CSS-$96,436 for elevator work & $290,479 for the new air handler
- Pharmacy-$616,881 for new elevator work, $143,390 for new air handler work, $125,559 for new entrance work and $88,671 for structural work

Funding

The project will be funded out of operating cash flow and cash reserves. A letter from the CEO indicates CRMC has adequate operating cash flow and cash reserves to fund the $11.5 million dollar proposed project without the need to borrow any funds. CRMC estimates the proposed project will take 28 to 30 months to complete with the cost incurred over four separate budget cycles, including the current fiscal year.

This copy of the application does not include corporate documentation, real estate, and detailed demographic information. A complete copy of the application will be available for Agency members during the meeting and is available at the HSDA office.

Should the Agency vote to approve this project, the CON would expire in three years.

Certificate of need information for the applicant

There are no other Letters of Intent, denied or pending applications, or outstanding certificates of need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, pending or denied applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
8/3/13

LETTER OF INTENT

11

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LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Herald-Citizen (Name of Newspaper) which is a newspaper of general circulation in Putnam (County), Tennessee, on or before May 8 (Month / day), 2013 (Year) for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Cookeville Regional Medical Center (Name of Applicant) a hospital (Facility Type-Existing)

owned by: Cookeville Regional Medical Center Authority with an ownership type of Governmental

and to be managed by: itself intends to file an application for a Certificate of Need

for [PROJECT DESCRIPTION BEGINS HERE]:

The renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within Central Sterile Supply Department and the relocation and expansion of the in-patient Pharmacy Department. The location of the project is at the hospital's main campus, 1 Medical Center Boulevard, Cookeville, TN. The total cost of the project is $11,546,920.

The anticipated date of filing the application is: May 8, 2013

The contact person for this project is Paul Korth (Contact Name), CEO (Title)

who may be reached at: Cookeville Regional Medical Center (Company Name), 1 Medical Center Boulevard (Address)

Cookeville (City), TN (State), 38501 (Zip Code), 931-783-2000 (Area Code / Phone Number)

Paul Korth (Signature), May 1, 2013 (Date), pkorth@crmchealth.org (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY-
Application

Cookeville Regional Medical Center

CN1305-016

COOKEVILLE REGIONAL MEDICAL CENTER

CERTIFICATE OF NEED APPLICATION

FOR

RELOCATION AND EXPANSION OF PHARMACY AND EXPANSION AND RENOVATION OF CENTRAL STERILE SUPPLY.

Submitted May 9, 2013

1. ***Name of Facility, Agency, or Institution***

Cookeville Regional Medical Center
Name

1 Medical Center Blvd
Street or Route

Putnam
County

Cookeville
City

TN
State

38501
Zip Code

2. ***Contact Person Available for Responses to Questions***

Paul Korth
Name

Chief Executive Officer
Title

Cookeville Regional Medical Center
Company Name

pkorth@crmchealth.org
Email address

1 Medical Center Blvd
Street or Route

Cookeville
City

TN
State

38501
Zip Code

Chief Executive Officer
Association with Owner

931 783 2000
Phone Number

931 526 8814
Fax Number

3. ***Owner of the Facility, Agency or Institution***

Cookeville Regional Medical Center Authority
Name

931 783 2000
Phone Number

1 Medical Center Blvd
Street or Route

Putnam
County

Cookeville
City

TN
State

38501
Zip Code

4. ***Type of Ownership of Control (Check One)***

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	✓
B. Partnership		G.	
C. Limited Partnership		H. Joint Venture	
D. Corporation (For Profit)		I. Limited Liability Company	
E. Corporation (Not-for-Profit)		Other (Specify) see attachment A-4 tab 1	

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. ***Name of Management/Operating Entity (If Applicable)***

not applicable
Name

Street or Route

County

City

State

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. ***Legal Interest in the Site of the Institution (Check One)***

A. Ownership
B. Option to Purchase
C. Lease of ____ Years
D. Option to Lease
E. Other (Specify) see attachment A-6 tab 2

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. ***Type of Institution (Check as appropriate--more than one response may apply)***

A. Hospital (Specify) general ✓
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty
C. ASTC, Single Specialty
D. Home Health Agency
E. Hospice
F. Mental Health Hospital
G. Mental Health Residential Treatment Facility
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)
I. Nursing Home
J. Outpatient Diagnostic Center
K. Recuperation Center
L. Rehabilitation Facility
M. Residential Hospice
N. Non-Residential Methadone Facility
O. Birthing Center
P. Other Outpatient Facility (Specify)
Q. Other (Specify)

8. **Purpose of Review *(Check) as appropriate--more than one response may apply)***

A. New Institution
B. Replacement/Existing Facility
C. Modification/Existing Facility ✓
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify)
E. Discontinuance of OB Services
F. Acquisition of Equipment
G. Change in Bed Complement [*Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation*]
H. Change of Location
I. Other (Specify)

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	169		169		169
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical	12		12		12
E. ICU/CCU	46		38		46
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation	20		20		20
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	247		239		247

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 44-0059

Certification Type Hospital Acute Care

11. **Medicaid Provider Number** 0440059

Certification Type General Acute Care

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?** N/A

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants?** Yes **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.***

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

A. 13 Response: AmeriChoice and AmeriGroup are the two TennCare MCOs operating in our service area. Yes, TennCare participants are routinely patients in our facility. CRMC currently has a contract with both AmeriChoice (A3850101) and AmeriGroup (1000116). In addition we also have a contract with TennCare Select (1000116).

The following is a list of all MCO's with which CRMC has an existing contract.

COMMERCIAL PLANS
Beech Street - A Viant Network
BlueCross BlueShield of TN – Networks P, S & CoverTN
Carthage/Trousdale Hospital Employee Health Plan
Center Care
CIGNA - PPO/PPN Plan, Flex/Gatekeeper Plan (includes Great-West Healthcare)
CompPlus/Prime Health Services
First Health – A Coventry Health Care Company (includes Affordable, CCN, & Medview)
Government Employees Hospital Association (GEHA)/PPO USA
Health Payors
HealthScope Benefits (formerly CNA Health Partners, CoreSource)
HealthTrac
Humana Choice Care (formerly Employers Health Insurance Company)
MultiPlan (includes America's Health Plan, BCE Emergis, United Payors & United Providers effective Sept 1, 2004) *Merged with PHCS.*
NovaNet – Letter of Agreement
One Call Medical Work Comp only – applies to Imaging Services
Perdue Farms
Private Healthcare Systems *Merged with MultiPlan.*
Signature Health Alliance
The Initial Group
USA Managed Care
United Healthcare of TN – includes John Deere Health Care River Valley Entities

GOVERNMENT PROGRAMS
Medicare
TennCare **MCOs -** **Amerigroup** **AmeriChoice** **TennCare Select/BlueCare** **BHOs-** **TN Behavioral Health/Premier Behavioral** (E/R only)
TN Children's Special Svcs
Tennessee Dept of Health - TN Breast & Cervical Cancer Early Detection Program
TriCare administered by Humana Military Healthcare Services

United Mine Workers

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HOSPICE CONTRACTS **(Inpatient only)**
Caris Healthcare Pain Management – Levels I & II
Lazarus House Pain Management – Levels I & II Respite Care

SECTION B: PROJECT DESCRIPTION

B.1. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, proposed cost, funding, financial feasibility and staffing.

Response:

Proposed Renovations.

Cookeville Regional Medical Center (CRMC) is an acute care hospital on the Cumberland Plateau. It is the largest provider between the Nashville and Knoxville metropolitan area.

CRMC recently completed the expansion and renovation of our surgery suites as part of Certificate of Need CN01008-035A approved November 7, 2010 and completed on 12/18/2012. That project expanded our number of surgical suites to 16. This proposed project will renovate and expand the central sterile department which supports the operating rooms. As part of the expansion, it will be necessary to relocate the inpatient pharmacy to shelled in space that was part of Certificate of Need CN0505-039A. The expansion and renovation of central sterile will be staged so as not to interrupt the services of the department. The relocation and expansion of the inpatient pharmacy will also be staged so as not to interrupt the services of the department. Also the new location of the inpatient pharmacy will have no adverse impact on the ability to dispense pharmaceuticals in a safe and efficient manner.

Ownership Structure.

Cookeville Regional Medical Center Authority is a private act hospital authority that operates CRMC. The City of Cookeville owns the real estate and buildings. Attachment B 1 tab 3 contains a more detail of the ownership structure.

Service Area

Cumberland Plateau is midway between Nashville and Knoxville urban areas.

The primary and secondary service area for CMRC has a total population of over 323,954 per the U.S. Census Bureau. The primary service area includes Putnam, Jackson, White and Overton Counties. The secondary service area includes Clay, Cumberland, DeKalb, Fentress, Macon, Pickett, Smith, Van Buren and Warren Counties. The US Census Bureau estimates that the population in our service area will exceed 342,166 by 2015. Attachment B 1 Tab 4 is a copy of the Population statistics and Attachment B 1 Tab 5 is a map of our primary and secondary service area.

Need

Central Sterile Supply - The Central Sterile Supply Department (CSS), comprises that service within the hospital in which medical/surgical supplies and equipment, both sterile and non-sterile, are cleaned, prepared, processed, stored, and issued for patient care It is

a vital part of any hospitals infection control program. Our current CSS has 9,226 square feet and is equipped with 2 washer/disinfectors, 1 small sterilizer, 2 medium sterilizers, 1 cart wash and 1 sonic washer (not valid for use with da vinci robotic wrists). All of our equipment is over 12 years old and is in constant need of repair. The workload in CSS has increased dramatically over the past 5 years with no increase in space or equipment. In 2008 we processed 7,178 case carts compared to 9,294 in 2011. Additionally in 2008 we processed 63,458 instrument sets compared to 82,467 in 2011. This project will expand CSS to 15,368 square feet and will replace all major sterilizing equipment with 4 washer/disinfectors, 4 sterilizers (2 automated), 1 large capacity cart wash and 1 sonic washer that is validated for da vinci robotic wrists.

Pharmacy current occupies 4,155 square feet and will be expanded to 5,781 square feet. The added space will improve the efficiency of the department and allow room for expansion of additional hoods for sterile compounding, and an additional medicine carousel.

Staffing Central Sterile currently has 43 positions that are broken down into 3 major service areas, Sterile Processing, Surgical Materials and Equipment Management. The expansion and renovations will neither increase nor decrease the number of employees.

There will be no staffing changes in pharmacy as a result of this project.

Existing Resource While the facility currently has both a central sterile supply and a pharmacy, both departments need additional square footage. The equipment in CSS is over 12 years old and needs replaced with more efficient modern sterilizers that will increase the efficiency of the department. Pharmacy is also currently undersized and is landlocked with no room for expansion in its current location.

Project Cost

The total cost of the project including new equipment, construction, renovation and relocation of the pharmacy $11,546.920.

Funding

The project will be funded from cash reserves of CRMC.

Financial Feasibility

The Hospital operates with a positive margin. The addition of this proposed capital expense will not negatively affect our operating margin. The construction time will be approximately 30 months beginning as soon as the CON is approved and concluding around October 2015, which will spread the expense over the current budget year $411.423), FY 2013-2014 ($4,235,249, FY 2014-2015 ($5,980,569 and FY 2015-2016 ($919,679)

B II Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

B. II A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response:

The existing CSS department is undersized and unable to accommodate the processing equipment and clean / sterile storage required to support 16 existing ORs. The CSS processing equipment is at end of useful life and requires frequent repairs. The existing CSS department is ideally located on the second floor of the East wing directly above the existing Surgery department and connected by two elevators for clean and soiled transport of supplies and instruments. There is no suitable area within the existing facility for a complete relocation of the existing CSS department. The existing CSS department is bordered by exterior walls on three sides and the Pharmacy department on the fourth. To allow for the expansion and renovation of the existing CSS department, the existing 4,155 square foot Pharmacy department requires relocation. This also allows for a right sized Pharmacy to be constructed that allows for growth.

PHARMACY

A medication dispensing robot and carousel were added in the Pharmacy in 2006. While resulting in safer and more efficient dispensing, the space used for that equipment has contributed to inefficient workflow, cramped staff workspaces scattered throughout the facility, and scattered refrigeration locations / inadequate storage in the Pharmacy itself. The new 5,781 square feet pharmacy will be constructed in a shell space on the first floor of the A wing of the North Patient Tower. The facility master plan anticipated use by this type of service. The new Pharmacy will contain the relocated robot, relocated carousel, new carousel, sterile compounding clean room with four workstations, consolidated storage / refrigerated storage, dedicated receiving and purchasing functions, seventeen workspaces and four offices for pharmacists, clinicians and students. A dedicated receiving anteroom with drive and canopy will be added to the building exterior outside this space to provide for secure drug delivery. A second pneumatic tube station will be added to a relocated station for connectivity to all inpatient, outpatient, OB, and ER units.

A six stop elevator will be added in an existing empty shaft nearby this area to provide capacity for cart delivery to medication cabinets in all nursing units.

Construction of the above described Pharmacy includes the complete build-out of this space in a shell area including floor slab, all finishes, all HVAC, plumbing, fire protection and electrical work. To support the HVAC requirements of this area, an air handling unit will be added in a second floor mechanical space above the new area with new outside air access. The new six stop traction elevator includes cab, doors, rails, HVAC, plumbing, fire protection, electrical and penthouse related work. The exterior entrance work includes all civil / site work and canopy.

Costs for this new Pharmacy area are estimated to be $1,715,877 or $296.81 / Square Foot for this 5,781 SF area. In addition, construction cost items which would skew this $/SF number if added on a SF basis are $616,881 for the new elevator work, $143,390 for the new Air Handler work, $125,559 for the new entrance work and $88,671 for structural work. These costs, if added to the true renovation area, would add $168.57 / SF to the $296.81 / SF for a total of $465.38 / SF. It is anticipated this will require seven months for construction.

Attachment B IIA Tab 6 is a configuration of the current space with annotations of current needs in Pharmacy

Attachment B II A Tab 7 is the new configuration of Pharmacy after it will be relocated into the shelled in space on the first floor of the Hospital along with annotations of the advantages of the new space. The relocation of pharmacy to the first floor does not adversely affect the delivery of pharmaceuticals to the nursing units. Many medications are delivered through our pneumatic tube system, which will be expanded to the new pharmacy location. Additionally drug carts will have easy access to elevators for transportation to the nursing units.

CENTRAL STERILE SUPPLY

After the relocation of the pharmacy the construction of the new 15,368 CSS area can begin in phases that will allow the department to remain in operation during the 20-24 month CSS renovation and expansion project. The renovation actually expands the usable space beyond the 4,155 currently occupied by Pharmacy due to removal of walls and hallways so that the usable area for CSS actual increases by 6,142 square feet. Existing CSS department is 9,226 SF in area. The major new CSS equipment will consist of four automated washer decontaminators, four large sterilizers, one sonic washer, one cart washer and ten process/packing workstations (+2 future). This replaces all major items of equipment and more than doubles the current through-put capacity to process trays and case carts and would support in excess of 60 surgery cases per day. The project also provides an improved receiving area, increased sterile storage for reusable and disposable items, and proper location for ancillary support functions.

The construction is planned in seven major phases beginning with demolition of the vacant pharmacy space and constructing the new decontamination area and support spaces. The existing soiled elevator cab will be reworked to add a rear opening door to allow access to this "flipped" location of decontamination. New cart wash and washer

decontaminators will then be put in use. This allows the closing of the old decontamination area to be renovated for the new sterilizer locations. After new sterilizers are in operation the old sterilizer installation can be removed and renovated for additional process / packaging area. Then the clean and sterile storage areas are renovated and reconfigured.

Construction of the above described 15,368 SF CSS department includes the complete renovation of this space from floor deck to deck above, including all finishes, all HVAC, plumbing, fire protection and electrical work. To support the HVAC requirements of this area, a properly sized replacement air handling unit will be added in a third floor mechanical space near this new CSS area along with new outside air access. The elevator work includes a reworked cab and doors. There is anticipated to be minor amounts of asbestos abatement required in this area performed as the work progresses.
Costs for this new CSS area are estimated to be $4,812,125 or $313.13 / SF. for this 15,368 SF space. In addition, construction cost items which would skew this $/SF number if added on a SF basis are $96,436 for the elevator work and $290,479 for the new Air Handler work. These costs, if added to the true renovation area, would add $25.18 / SF to the $319.40 / SF for a total of $344.58 / SF. It is anticipated this will require twenty months for phased construction.

Attachment B II A Tab 8 is the current configuration of CSS and Pharmacy. Attachment B II A Tab 9 is the current configuration of CSS broken down by function. Attachment B II A Tab 10 is the proposed configuration of CSS after the expansion and renovation.

Central Sterile Supply (CSS) will be expanded from 9,226 square feet to 15,368 Additionally all of the major equipment within CSS will be replaced in addition to increasing the number of washer/disinfectors, sterilizers and a larger cart washer.

The workload of CSS has grown significantly over the last five year to the point where the demand will soon exceed the ability of the department to process the needed equipment in a timely fashion, leading to surgical delays and the compromise of patient care. While there was a decline in FY 2012 it has rebounded in the current fiscal year. The decline in FY 2012 was a combination of the construction of new operating suites which caused some disruption and the loss of a general surgeon. However, in December 2012 we completed the expansion of our surgical suites from 10 to 16 and recruited a new general surgeon to the community who started in the middle of 2012. Additionally we have a new OB'GYN starting a practice in the community in September 2013, 2 new invasive cardiologists joining the cardiology practice in July 2013 and one of the urology practices is recruiting another urologist for late 2013. These factors will increase the demands upon CSS. Below is a chart of the number of case carts built over the past six years.

FY 08	7,178	
FY 09	7,672	
FY 10	8,260	
FY 11	9,294	
FY 12	7,235	
FY 13	8,683	(Projected Annualization based upon 10 months of data.

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The processing of instrument sets is also a measurement of the workload of CSS. Below is a comparison of the increase in instrument sets processed since 2008. The same decline occurred in FY 2012 but has clearly bounced back in 2013 for all the same reasons as set forth above.

FY 08	63,458
FY 09	65,693
FY 10	72,952
FY 11	82,467
FY 12	71,436
FY 13	85,616 (projected annualization based upon 10 months of data.

This is an estimated 30 month completion project for both pharmacy and CSS. If we do not start on this project now, we will not be able to meet the demands in the future.

Not only is this an expansion of space but it is also the replacement of equipment that is soon nearing its lifespan. All of our major equipment in CSS is over 12 years old. The current space does not allow for adding any additional equipment nor does it allow for replacing the current equipment with more modern equipment. First and foremost the newer equipment will not fit in the footprint of the equipment that it would be replacing. Secondly, because of the lack of space we could not shut down equipment in order to replace it without severely interrupting surgical services.

Upon completion this will be sufficient space for CSS for well over the next 10-15 years.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Pharmacy	2nd flr East wi	4155		1st flr A North	5781		5781	296.81		296.81
CSS	2nd flr East wi	9226		2nd flr East wi	15368		15368	313.13		313.13
B. Unit/Depart. GSF Sub-Total		13381			21149			308.67		308.67
C. Mechanical/ Electrical GSF					in above			20.52		20.52
D. Circulation /Structure GSF					in above			43.85		43.85
E. Total GSF					21149			373.04		373.04

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B. II. B **Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Response: Not Applicable

B. II. C. **As the applicant, describe your need to provide the following health care services (if applicable to this application):**

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response: Not applicable. This is an expansion of central sterile and relocation and expansion of inpatient pharmacy

B. II. D. **Describe the need to change location or replace an existing facility.**

Response: Not Applicable. The only location change is relocating inpatient pharmacy from one location within the building to another location within the building.

B. II. E. **Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).

2. Expected useful life;

3. List of clinical applications to be provided; and

4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response:

Not Applicable. While we will be purchasing some new equipment for central sterile and pharmacy it does not involve the purchase of any major medical equipment which exceeds the threshold limits.

2. For mobile major medical equipment:

a. List all sites that will be served;

b. Provide current and/or proposed schedule of operations;

c. Provide the lease or contract cost.

d. Provide the fair market value of the equipment; and

e. List the owner for the equipment.

Response:

Not Applicable

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response:

Not Applicable

B. III. A. Attach a copy of the plot plan of the site on an 8 ½ x 11 sheet of white paper which must include

1. **Size of site (in acres);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site**

Response:

The main Hospital building that houses the area in question sits on approximately 7 acres. The entire hospital site including parking and physical plant is approximately 17.9 acres. Attachment B III A, Tab 11 shows the Hospital and its surrounding streets with an insert as to where the Hospital sits in relationship to major highways in the area.

The renovations to central sterile are on the second floor of the Hospital. See Attachment B III A Tab 12 shows the current location of Pharmacy and CSS on the second floor of the Hospital.. Attachment B III A Tab 13 is the shelled in space on first floor of the Hospital. The inpatient pharmacy will be relocated first so as not to interrupt pharmacy services and then central sterile will be expanded into the area previously occupied by the inpatient pharmacy. Attachment B III A Tab 14 identifies the perimeter streets surrounding the Hospital.

B. III. B. 1 **Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed sit to patients/clients.**

Response:

The Hospital is located within the City of Cookeville, approximately five miles from I-40 via a major street. Cookeville has recently established a local bus service which includes a stop on the Hospital Campus. The Hospital has been at its present location for many decades and is considered easily accessible to area patients/clients.

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B IV **Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private) ancillary areas, equipment areas, etc on an 8 ½ x 11 sheet of white paper.**

Response:

The new location of the inpatient pharmacy is being constructed in a portion of the shelled in area on the first floor of the North Patient Tower. The expansion and renovation of central sterile is on the second floor and in the current location of central sterile and inpatient pharmacy. There are no patient rooms affected by this project. Attachment B IV Tab 15 is a drawing of the area involved in the renovation of central sterile. The darker shaded area is the current location of inpatient pharmacy and is also the area into which central sterile will be expanding. Attachment B IV Tab 16 is the new location for inpatient pharmacy.

B V **For Home Health Agency or Hospice identify:**

1. **Existing service area by County**
2. **Proposed service area by County**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

Response Not Applicable

C 1 (Need) : Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response:

For renovation or expansion of an existing licensed health care institution;

a. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

Central Sterile Supply - As indicated in response to B.1 the services supplied by Central Sterile Supply over the past five years have grown significantly. The number of case carts built has increased almost 30% from FY 2008 to FY 2011. Although there was a decline in FY 2012 that was temporary due to several factors and we have seen a 20% in FY 2013. With the opening of 6 new operating suites in December 2012 and the recruitment of additional surgeons the numbers will continue to increase. In addition the number of Instrument sets processed by CSS has increased by 30% from FY 2008 to FT 2011. Except for a temporary decrease in 2012, the numbers of instrument sets needed in the future will only continue to grow. The surgical volume at CRMC will continue to grow, whether it is outpatient surgery, inpatient surgery, labor and delivery or special procedures and the need for CSS services likewise continues to grow. Additionally as more complex surgical cases are being done the number of surgical sets needed per case continues to increase. In FY 2009 the average number of surgical sets per case was 8.6 and by FY 2011 that had increased to 8.9 per case. When we proposed the expansion of surgical rooms in 2010 we anticipated adding a sterilizer and a washer/decontaminator to CSS. It soon became evident that this would only be a band aid approach and would provide us with no long term solution. Further, we would have spent dollars renovating space that would soon have to be redone when it became necessary to renovate the entire CSS department, which we anticipated would be soon after completion of the surgical suite expansion. Thus we elected not to add the washer/decontaminator at that time.

The Need for the CSS part of the project is twofold, to give the department a larger footprint in order for it to be more efficient and be able to handle the future needs and to replace equipment that has reached its life span. Even if we did not need additional space, we would have to replace the existing equipment and some of the newer equipment will not fit in the current footprint.

Pharmacy If Pharmacy were not located in the space needed for CSS, we would not likely need to expand or renovate Pharmacy at this time. However, since it has to be relocated, and the ideal space available is the shelled in space in the North Patient Tower the only logical approach is to relocate Pharmacy into that space and allow for expansion

of Pharmacy in the future. No new services are being added to Pharmacy, but the new space will allow for adding an additional medicine carousel.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Central Sterile Supply CSS has not had any increase in space or added any new equipment in over twelve years. The facility has continued to grow in average daily census and in surgical volume but without any changes to CSS. We are now at the point where it is necessary to make the necessary renovations and expansion of CSS. CSS is the central point of any hospital's infection control program. It is responsible for the sterilization of all instruments. Without an efficient and properly designed CSS, the surgical services at the facility will be compromised.

Pharmacy The last renovation to pharmacy was in 2006 when we added the Robot. While the Robot resulting in increased safety and more efficient dispensing, it also compressed the existing space and decreased the efficiency of workflow and allowed for no room for expansion. Pharmacy also has outgrown its current space and relocating it to the shelled in space on the first flow will improve workflow and allow for any needed expansion for the next 10-15 years.

C 2 (Need) Describe the relationship of this project to the applicant facility's long-range development plans, if any.

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Response: CRMC's mission is to improve the health of the residents of the Upper Cumberland Region of Central Tennessee, to provide the scope and the quality of services which best meet the needs of the community, to make available to citizens in our primary and secondary service area ready access to the latest technology and diagnostic services that will assist our medical staff in rendering high quality medical care and to provide these services at the lowest possible cost.

CRMC developed a Master Plan in 2000. That plan is reviewed every 2 to 3 years and each project that CRMC has undertaken since revolves around the Master Plan, beginning with the North Patient Tower, the expansion of the surgical suites and now the expansion of CSS and Pharmacy. The Master Plan takes into account the age of the different areas of the facility, the location of the core service elements and makes sure that when a new project is proposed it is a project that will serve the needs of the facility for years to come. When we built the North Patient Tower, the Master Plan provided for shelled in space for future operating rooms as well as shelled in space for expansion of other support departments. When we designed the new surgical suites and got CON approval, the Master Plan also projected a need to expand and renovate CSS at some point in the future. It was also clear in our Master Plan that the renovation would involve the relocation of Pharmacy. We are now at that point where we need to expand and renovate CSS, replace end of life equipment and relocate Pharmacy. This expansion is consistent with long range planning that started in 2005 with the planning of the North Patient Tower.

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C. 3 (Need). Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

Response: Our primary service area is Putnam, White, Jackson and Overton Counties with Clay, Pickett, Fentress, Cumberland, Van Buren, DeKalb, Warren, Macon and Smith Counties comprising our secondary service area. Please see Attachment C 3 Need Tab 17.

A. Describe the demographics of the population to be served by this proposal.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response:

The service area is largely rural.

The need for CSS services and Pharmacy is neither age specific, gender specific, race specific nor income level specific. They are support departments within the facility that are vital to the services that we provide.

Attachment C 4, Need, Tab 18 provides the total population for 2010 and projected 2014 by county within our service area for individuals age 65 and over as well as the 2009 population by county in our service area of TennCare recipients.

Also Attachment C 4 Need, Tab 19 is a chart comparing the median income and per capita income in the counties within our service area compared to Tennessee as a whole.

C 5 (Need). Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response:

Central Sterile Supply is a support department which exists in any inpatient facility that offers surgical procedures. The issue is not the number of central sterile supply departments but the needed size of the department necessary to support the services provided at any particular institution. It is not possible to compare the size of one hospitals central sterile supply department to another, such information is not readily available and would not in and of itself provide any useful information.

Further the relocation of the inpatient pharmacy is not the establishment of any new service. Comparing the inpatient pharmacy at CRMC to the inpatient pharmacy at other institutions will not result in any useful information, nor is the size of other institutions inpatient pharmacy in comparison to CRMC's readily available.

C 6 (Need). Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response:

CENTRAL STERILE SUPPLY

CSS is affected by the volume of case carts built and instrument sets processed annually. Below is a comparison of the volume the last three years and the projected volume for FY 15 and FY 16, the two fiscal years following the completion of the project.

Case Carts Built

FY 2010	8,260
FY 2011	9,294
FY 2012	7,235
FY 2013 annualized based upon current usage for the year	8,683
FY 2016	10,051
FY 2017	10,554

For FY 09 and 10 the growth was about 7% a year but with several new surgeons joining the medical staff the growth in 2011 jumped almost 12%. FY 2012 saw a drop in case carts built which was caused by two factors, the construction of the six new operating rooms, which were completed in 2012 and caused some disruptions and the loss of a general surgeon. However, from FY 2012 and FY 2013 we are seeing a 20% increase in case carts, due to the final completion of the new operating rooms and the addition of a new general surgeon. Additionally, we have two new invasive cardiologists starting in July 2013, a new OB/GYN opening a practice in the community in September 2013 and a new urologist is being recruited by one of the groups in town. We do not expect to see the same increase but have conservatively estimated a 5% increase annually. Even if the increase continues at a higher rate the expansion with the new equipment will be able to process the higher demand. We believe the expansion will serve our needs for at least the next 15 years.

Instrument Sets processed

FY 2010	72,952
FY 2011	82,467
FY 2012	71,436
FY 2013 annualized based upon current usage for the year	85,616
FY 2016	100,239
FY 2017	105,251

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The growth for the last three years in instrument sets processed is approximately 10% a year. Because we are seeing more complex cases the number of surgical sets per case has increased thus a higher rate of increase than case carts built. We did see a drop in FY 2012 for the same reasons as mentioned above but as you can see there has been a 20% from FY 2012 to FY 2013. Again being conservative we project a 5% increase per year in instrument sets processed. Even if it exceeds that rate the new equipment will be able to process a higher demand. We project that the expansion will serve our needs for at least the next 15 years.

PHARMACY

The following shows the number of units dispensed by the Pharmacy the last three years and the projections for the 2 years following completion of the project.

FY 2010	1,802,365
FY 2011	2,009,092
FY 2012	2,094,037
FY 2013 (annualized based upon current usage)	2,200,110

Thus there is an average of a 5% increase annually. If we project that same 5% for the two years following completion, the units dispensed will be as follows:

FY 2016	2,546,902
FY 2017	2,674,247

With the improved work flow and additional medicine carousel the expanded Pharmacy will be able to easily handle the increases for at least the next 10 to 15 years.

C 1 (Economic Feasibility) :

Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- **All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**

- **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**

- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

- **For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

Response:

The Project Costs Chart is inserted following this page.

PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	709,500
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	
3.	Acquisition of Site	
4.	Preparation of Site	25,000
5.	Construction Costs	7,889,419
6.	Contingency Fund	313,456
7.	Fixed Equipment (Not included in Construction Contract)	2,559,128
8.	Moveable Equipment (List all equipment over $50,000)	
9.	Other (Specify) permits	25,199
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify)	
C.	Financing Costs and Fees:	
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
D.	Estimated Project Cost (A+B+C)	11,521,701
E.	CON Filing Fee	25,923
F.	Total Estimated Project Cost (D+E)	11,547,624
	TOTAL	11,547,624

1. **Identify the funding sources for this project.**

Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

__ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

__ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

__ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.

__ D. Grants--Notification of intent form for grant application or notice of grant award; or

_ x_ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.

__ F. Other—Identify and document funding from all other sources.

Response:

This project will be financed through cash reserves. Attachment C 2, Economic Feasibility 1. E Tab 20 is a letter from Hospital's CEO confirming the presence of sufficient cash reserves. Further, since this project will expand 4 separate budget years, the expense will be spread over those four budget years.

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C 3 Economic Feasibility **Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

Response:

See Attachment C 3, Economic Feasibility, Tab 21 a letter from the general contractor who has completed numerous construction projects in Tennessee attesting to the reasonableness of the project cost. Attachment C 3 Economic Feasibility Tab 22 is a letter from the architect verifying the reasonableness of the cost and the applicable building codes that are applicable to the project.

C 4 Economic Feasibility **Complete Historical and Projected Data Charts on the following two pages--*Do not modify the Charts provided or submit Chart substitutions!*** **Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

Response:

The following pages are the Historical Data and the Projected Data for the Hospital as a whole. CSS is not a revenue generated department but is a support department. While Pharmacy generates revenue through drug charges, this project will have no effect upon increasing pharmacy revenue. Pharmacy revenue is affected by overall hospital volume.

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

CHART B
HISTORICAL DATA

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in July (Month).

Cookeville Regional Medical Center

	FYE 2010	FYE 2011	FYE 2012
A Utilization/Occupancy Rate *(Inpatient based on staffed beds, excludes observations)*	55,975	58,650	60,058
B Revenue from Services to Patients			
1. Inpatient Services	231,908,982	258,389,072	260,114,571
2. Outpatient Services	178,281,007	199,937,609	221,040,044
3. Emergency Services	17,161,436	17,970,569	19,285,154
4. Other Operating Revenue *Cafeteria, Vending, Other Misc.*	3,406,028	3,503,760	4,698,895
Gross Operating Revenue	430,757,453	479,801,010	505,138,664
C Deductions from Operating Revenue			
1. Contractual Adjustments	208,412,003	236,661,244	256,488,409
2. Provision for Charity Care	6,455,555	5,800,098	6,275,263
3. Provisions Bad Debt	13,644,985	17,214,602	18,829,075
Total Deductions from Revenue	228,512,543	259,675,944	281,592,747
Net Operating Revenue	202,244,910	220,125,066	223,545,917
D. Operating Expenses			
1. Salaries and Wages	63,236,700	72,622,319	73,503,360
2. Physicians Salaries and Fees	15,901,943	19,824,256	18,875,601
3. Supplies	43,062,653	48,836,209	50,878,176
4. Taxes (Payments in Lieu of Taxes)	700,000	700,000	700,000
5. Depreciation	11,831,323	11,722,847	11,869,779
6. Rent	745,301	798,500	1,032,257
7. Interest, other than Capital	0	0	0
8. Management Fees:			
a. Fees to Affiliates	0	0	0
b. Fees to Non-Affiliates	0	0	0
9. Other (specify) *Benefits, Utilities, Purchased Svcs, Repairs, Other*	51,095,386	55,300,304	58,893,756
Total Operating Expenses	186,573,306	209,804,435	215,752,929
E. Other Revenue-Income from Investments	285,023	388,373	388,602
Net Operating Income (Loss)	15,956,627	10,709,004	8,181,590
F. Capital Expenditures			
1. Retirement of Principal	228,654	2,680,396	808,702
2. Interest	4,168,899	2,895,569	2,828,861
Total Capital Expenditures	4,397,553	5,575,965	3,637,563
Net Operating Income (Loss) Less Capital Expenditures	11,559,074	5,133,039	4,544,027

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

CHART C
PROJECTED DATA

Give information for two (2) years following the completion of this project.
The fiscal year begins in July (Month).

Cookeville Regional Medical Center
Projected Data for CON

	2016	2017
A Utilization/Occupancy Rate *(Inpatient based on staffed beds, excludes observations)*	63,361	64,945
B Revenue from Services to Patients		
1. Inpatient Services	275,420,872	282,306,394
2. Outpatient Services	232,447,246	238,258,428
3. Emergency Services	20,345,837	20,854,483
4. Other Operating Revenue *Cafeteria, Vending, Other Misc.*	4,957,334	5,081,268
Gross Operating Revenue	533,171,291	546,500,573
C Deductions from Operating Revenue		
1. Contractual Adjustments	270,670,271	277,437,028
2. Provision for Charity Care	6,645,402	6,811,538
3. Provisions Bad Debt	20,064,674	20,566,291
Total Deductions from Revenue	297,380,348	304,814,857
Net Operating Revenue	235,790,942	241,685,716
D. Operating Expenses		
1. Salaries and Wages	77,671,045	79,612,821
2. Physicians Salaries and Fees	19,713,759	20,206,603
3. Supplies	53,801,476	55,146,513
4. Taxes (Payments in Lieu of Tax)	700,000	700,000
5. Depreciation	12,522,617	12,835,682
6. Rent	1,039,031	1,065,007
7. Interest, other than Capital	0	0
8. Management Fees:		
a. Fees to Affiliates	0	0
b. Fees to Non-Affiliates	0	0
9. Other (specify) *Benefits, Utilities, Purchased Svcs, Repairs, Other*	62,132,913	63,686,235
Total Operating Expenses	227,580,840	233,252,861
E. Other Revenue-Income from Investments	409,975	420,224
Net Operating Income (Loss)	8,620,077	8,853,079
F. Capital Expenditures		
1. Retirement of Principal	1,853,181	1,899,510
2. Interest	2,634,448	2,550,310
Total Capital Expenditures	4,487,629	4,449,820
Net Operating Income (Loss) Less Capital Expenditures	4,132,448	4,403,260

Cookeville Regional Medical Center
Other Expenses Detail

	FYE 2010	FYE 2011	FYE 20112
Employee Benefits	17,251,885	20,001,512	20,850,486
Contract Labor	5,462,695	5,147,411	5,539,751
Purchased Services - Other	8,333,247	7,845,533	7,656,721
Utilities	3,119,880	3,496,998	3,501,318
Repairs and Maintenance	6,090,572	6,377,002	6,858,717
Insurance	1,104,145	1,081,407	1,079,126
Other	4,033,348	4,063,697	5,068,800
Other Corps	4,663,005	7,194,159	8,378,636
Loss on Disposals of Assets	1,036,609	92,585	(39,799)
	51,095,386	55,300,304	58,893,756

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

Cookeville Regional Medical Center
Other Expenses Detail

	FYE 2016	FYE 2017
Employee Benefits	21,997,263	22,547,194
Contract Labor	5,844,437	5,990,548
Purchased Services - Other	8,077,841	8,279,787
Utilities	3,693,890	3,786,238
Repairs and Maintenance	7,235,946	7,416,845
Insurance	1,138,478	1,166,940
Other	5,347,584	5,481,274
Other Corps	8,839,461	9,060,448
Loss on Disposals of Assets	(41,988)	(43,038)
	62,132,913	63,686,235

C 5 Economic Feasibility **Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Response:

Below is the average gross charge, average deduction from operating revenue and average net charge for the hospital as a whole.

	FY 2012		FY 2013
Average Gross Charge	$19,894.24		20,080.18
Average Deduction from operating revenue	$10,445.78		$10,767.22
Average Net Charge	$9,448.47		$9,312.96

C 6 Economic Feasibility

A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response:

A. The expansion and renovation of central sterile will not change our charges in the operating room, labor and delivery or special procedures nor do we anticipate that it will increase revenue. This is not a revenue generating department. Additionally the relocation of inpatient pharmacy will not change our pharmacy charge structure nor will it result in any increase pharmacy revenue. However, failure to expand and renovate CSS could in the future restrict the number of surgical cases that we could do in any one day.

B. There are no changes to our charges as a result of this project.

C 7 Economic Feasibility **Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

Response:

The project will not impact existing patient charges. However, with the newer technology and expanded space for central sterile supply, that department will be more efficient. The increased efficiency will allow for supply case carts and surgical instruments to be supplied in a quicker fashion. Also, without the expansion and the new equipment we face the reality of long delays in supply the case carts and the surgical instruments. CRMC runs the risk of equipment breakdown that will adversely impact the operation of the surgical services.

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C 8 Economic Feasibility **Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

Response: This is not a start-up project. It is a financially strong hospital with both the cash flow and cash reserves to maintain financial viability without interruption. The additional expense incurred for this project will not adversely impact the financial viability of CRMC. Further since it will be paid for over four different budget years there will be sufficient cash reserves to pay for the project.

C 9 Economic Feasibility **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Response: This project is not a revenue generating project. No increased revenues are expected as a result of the project, although it could be viewed as a revenue protecting project. Failure to upgrade our central sterile supply functions will adversely affect our ability to provide sterile equipment to our operating rooms in a timely and efficient manner, thereby delaying surgical cases and perhaps driving surgical staff from the use of our facilities. CRMC has a 54% Medicare payor mix for the hospital. It has a 12% TennCare payor mix for the hospital. The historical numbers reflect that these percentages will not change except as affected by TennCare enrollment changes and or health care exchanges.

Following is our projected utilization of operating services by payor class for the first two years of operation following completion of the project.

	2015		2016
Medicare	56.6%		57%
TennCare	11.3%		12%
Blue Cross	17.2%		15%
Commercial Ins	6.7%		8%
Private Pay	6.3%		6%
Champus	1.4%		1%
Workers Comp	.5%		1%
Total	100%		100%

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C 10 (Economic Feasibility) **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Response: Attachment C, 10 Economic Feasibility, Tab 23 is our year ending June 30, 2012 audited financial statement. Attachment C 10 Economic Feasibility Tab 24 is our most recent balance sheet and income statement.

C 11 Economic Feasibility Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response:

a. There is not a less costly or more effective alternative. We explored the possibility of moving central sterile off site and delivering the case carts throughout the day. This was not feasible both from a cost standpoint and a delivery standpoint. There is nowhere else within the institution to relocate central sterile supply. Thus expanding it in place was the only viable solution. With that it was necessary to relocate inpatient pharmacy. The relocation of inpatient pharmacy to the shelled in space on the first floor of the hospital will not have any impact of the efficiency or timeliness of inpatient pharmacy services. Much of the delivery of inpatient medications is through our tube system, so relocating the inpatient pharmacy will not change the ability to deliver medications via the tube system, since that system will also be used in the new location of the inpatient pharmacy.

b. The only alternative to replacing equipment that had reached its useful life and upgrading central sterile supply was to not do anything and hope that the equipment would last a little longer. We already expanded the hours of central sterile to keep up with the demand, because the equipment we have is too slow to turn around case carts as fast as we need them. We could not add any more additional shifts nor could we replace the old equipment we have with newer equipment in the same space. Thus the need to expand the footprint of central sterile to allow for new equipment.

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C 1 Contribution to the Orderly Development of Health Care List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: The following is the list of managed care agreements CRMC has in operation. In addition we have the following transfer agreements: Infinity Birthing Center Transfer Agreement, Jamestown Regional Medical Center Transfer Agreement and the Upper Cumberland Inter-Hospital Transfer Agreement (this includes DeKalb Hospital, Riverview Regional Medical Center North and South, , Cumberland Medical Center, Cumberland River Hospital, Livingston Regional Medical Center, and White County Community Hospital). Finally we have a health care service agreement with Satellite Med.

COMMERCIAL PLANS
Beech Street - A Viant Network
BlueCross BlueShield of TN – Networks P, S & CoverTN
Carthage/Trousdale Hospital Employee Health Plan
Center Care
CIGNA - PPO/PPN Plan, Flex/Gatekeeper Plan (includes Great-West Healthcare)
CompPlus/Prime Health Services
First Health – A Coventry Health Care Company (includes Affordable, CCN, & Medview)
Government Employees Hospital Association (GEHA)/PPO USA
Health Payors
HealthScope Benefits (formerly CNA Health Partners, CoreSource)
HealthTrac
Humana Choice Care (formerly Employers Health Insurance Company)
MultiPlan (includes America's Health Plan, BCE Emergis, United Payors & United Providers effective Sept 1, 2004) *Merged with PHCS.*
NovaNet – Letter of Agreement
One Call Medical Work Comp only – applies to Imaging Services
Perdue Farms
Private Healthcare Systems *Merged with MultiPlan.*
Signature Health Alliance
The Initial Group
USA Managed Care
United Healthcare of TN – includes John Deere Health Care River Valley Entities

GOVERNMENT PROGRAMS
Medicare
TennCare **MCOs -** **Amerigroup**

AmeriChoice **TennCare Select/BlueCare** **BHOs-** **TN Behavioral Health/Premier Behavioral** (E/R only)
TN Children's Special Svcs
Tennessee Dept of Health - TN Breast & Cervical Cancer Early Detection Program
TriCare administered by Humana Military Healthcare Services
United Mine Workers

HOSPICE CONTRACTS **(Inpatient only)**
Caris Healthcare Pain Management – Levels I & II
Lazarus House Pain Management – Levels I & II Respite Care

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C 2 Contribution to the Orderly Development of Health Care

Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: CRMC is the anchor of the local health system in its service area. Its continued financial strength is very important not only to maintaining high quality acute care, but also to attracting and retaining physicians in this rural area. It is the area's only large hospital with a broad range of tertiary services.

This project does not duplicate or add competition to already existing business provided by other hospitals in our service area. The project merely updates and increased the footprint of central sterile supply, a service function within the facility.

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C 3 Contribution to the Orderly Development of Health Care

Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response:

Central Sterile Supply does not provide direct patient care. There are currently 43 positions within CSS and that number will not increase nor decrease as a result of this project.

Except for the Clinical Pharmacists, there are no employees in Pharmacy providing direct patient care. This project does not involve the Clinical Pharmacists other than the relocation of their offices. There are currently 48 FTE's in Pharmacy and that number will not increase or decrease as a result of this project.

C 4 Contribution to the Orderly Development of Health Care: Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response: All of the staff is already in place, we will not need to hire new staff as a result of this renovation and expansion. CRMC is an established hospital with employees of this type already in place. With our salary structure and our benefit package we are a desirable place of employment. The Hospital is familiar with licensing requirements that might apply to the facility or staff.

C 5 Contribution to the Orderly Development of Health Care

Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response: The applicant has been in business for decades and is familiar with all licensing certifications required. We are Joint Commission accredited, most recently accredited as of September 2011. See Attachment C 5 Contribution to the Orderly Development of Health Care Tab 25.

The applicant so verifies that we have reviewed and understand all licensing certification required.

C 6 Contribution to the Orderly Development of Health Care

Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).

Response: CRMC conducts numerous educational programs both for its staff and members of the community. Such programs include classes in pre-natal care, cardio-pulmonary resuscitation, wellness education, in-service education and other areas of service. The Hospital serves as a clinical site for nursing students from Tennessee Technological University's BSN program and the Livingston State Area Vocational School's licensed practical nurse program. The Hospital also serves as a training site for students from with Volunteer State Community College. We have their students doing clinicals in radiology (x-ray), and Ultrasound. CRMC is also affiliated with Roane State Community College and with Chattanooga State Technical Community College. We have their Nuclear Imaging students and MRI students do their clinicals with us.

C 7 Contribution to the Orderly Development of Health Care

(a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Accreditation:

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response:

7 (a) the applicant so verifies. We have been in operation for decades and are familiar with state and federal licensure requirements

7 (b)

LICENSURE	Board of Licensure of Healthcare Facilities Tennessee Department of Health
CERTIFICATION	Medicare Certification from CMS TennCare Certification from TDH
ACCREDITATION	Joint Commission

7(c) The applicant is licensed in good standing by the State Board of Licensing Health Care Facilities, certified for participation in both Medicare and TennCare and fully accredited by Joint Commission. See current state licensure Attachment C 7, Contribution to the Orderly Development of Health Care (c) Tab 26.

7 (d) CRMC was fully accredited by Joint Commission in September 2011. Attachment C 5, Tab 25. Attachment C 7 (d) Tab 27 is the Hospital's most recent survey by the Division of Health Care Facilities and Attachment C 7 (d), Tab 28 is the Hospital's most recent Joint Commission survey results.

C 8 Contribution to the Orderly Development of Health Care

Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: None

C 9 Contribution to the Orderly Development of Health Care

Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

Response: None

C 10 Contribution to the Orderly Development of Health Care

If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: Yes, the applicant will provide the requested data consistent with federal HIPAA requirements.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

SEE ATTACHMENT 29

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.

Form HF0004
Revised 02/01/06
Previous Forms are obsolete

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PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 08/28/2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	0	03/2013
2. Construction documents approved by the Tennessee Department of Health	30	09/2013
3. Construction contract signed	30	09/2013
4. Building permit secured	45	10/2013
5. Site preparation completed	NA	NA
6. Building construction commenced	45	10/2013
7. Construction 40% complete	240	04/2014
8. Construction 80% complete	545	02/2015
9. Construction 100% complete (approved for occupancy	815	11/2015
10. *Issuance of license	NA	NA
11. *Initiation of service	NA	NA
12. Final Architectural Certification of Payment	875	01/2016
13. Final Project Report Form (HF0055)	875	01/2016

* **For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

2013 MAY 9 PM 2 53

STATE OF Tennessee

COUNTY OF Putnam

Paul Korth being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 6th day of May (Month) 2013 (Year) a Notary Public in and for the County/State of Putnam

NOTARY PUBLIC

My commission expires June, 22 (Month/Day) 2015 (Year)

MINDY YOUNGBLOOD STATE OF TENNESSEE NOTARY PUBLIC COUNTY OF PUTNAM

ATTACHMENTS

TAB 23	C.10 ECONOMIC FEASIBILITY	2012 AUDITED FINANCIAL STATEMENTS
TAB 24	C.10 ECONOMIC FEASIBILITY	BALANCE SHEET
TAB 25	C.5 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE	THE JOINT COMMISSION ACCREDITATION CERTIFICATE
TAB 26	C.7 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE	COPY OF HOSPITAL LICENSE
TAB 27	C.7(d) CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE	RECENT SURVEY BY THE DIVISION OF HEALTH CARE FACLITIES
TAB 28	C.7 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE	THE JOINT COMMISSION ACCREDITATION SURVEY
TAB 29	PROOF OF PUBLICATION	

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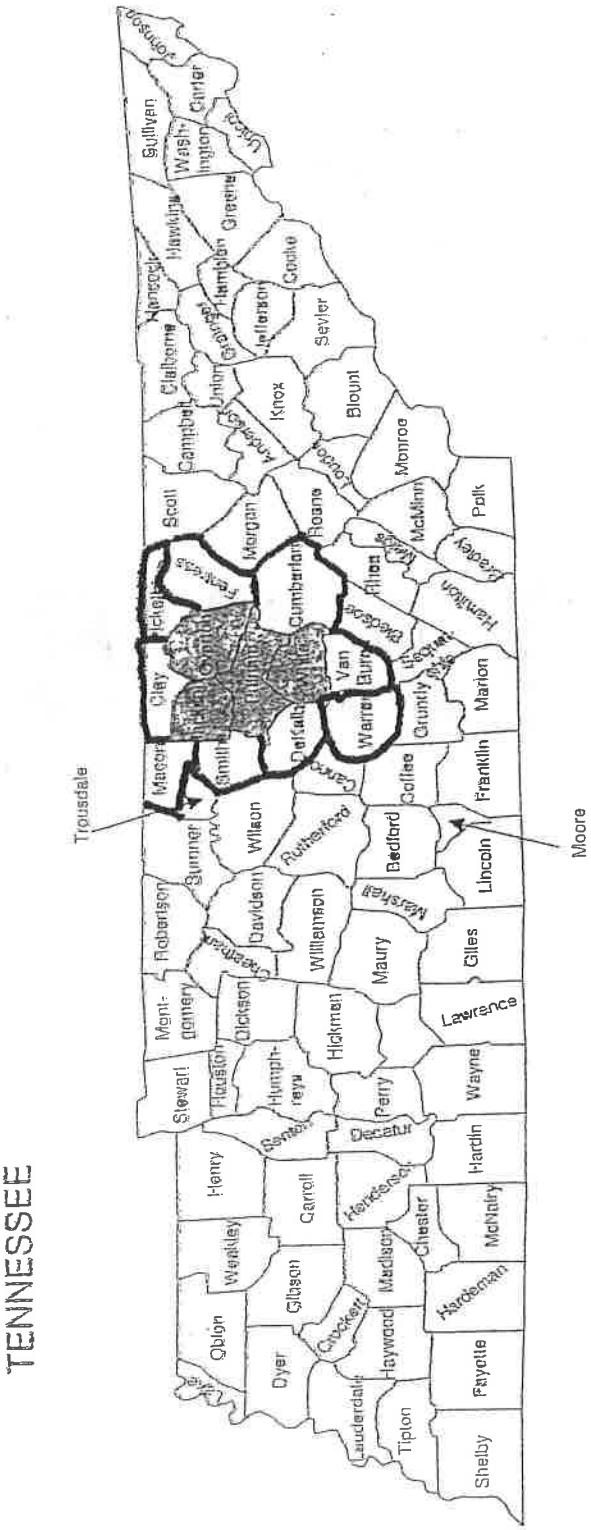
TAB 5


TENNESSEE
Trousdale
Moore
Sullivan
Carter
Johnson
Washington
Unicoi
Hawkins
Greene
Cocke
Hancock
Claiborne
Jefferson
Sevier
Union
Grainger
Campbell
Knox
Blount
Anderson
Loudon
Monroe
Scott
Morgan
Roane
McMinn
Polk
Fentress
Cumberland
Meigs
Rhea
Bradley
Hamilton
Pickett
Overton
Putnam
Van Buren
White
Grundy
Marion
Clay
Jackson
Smith
DeKalb
Warren
Coffee
Franklin
Macon
Sumner
Wilson
Rutherford
Cannon
Bedford
Marshall
Lincoln
Robertson
Davidson
Williamson
Maury
Giles
Montgomery
Cheatham
Dickson
Hickman
Lawrence
Stewart
Houston
Humphreys
Perry
Wayne
Benton
Decatur
Henry
Carroll
Henderson
Hardin
Weakley
Gibson
Madison
Chester
McNairy
Obion
Crockett
Hayward
Hardeman
Dyer
Lauderdale
Tipton
Fayette
Shelby

B.1

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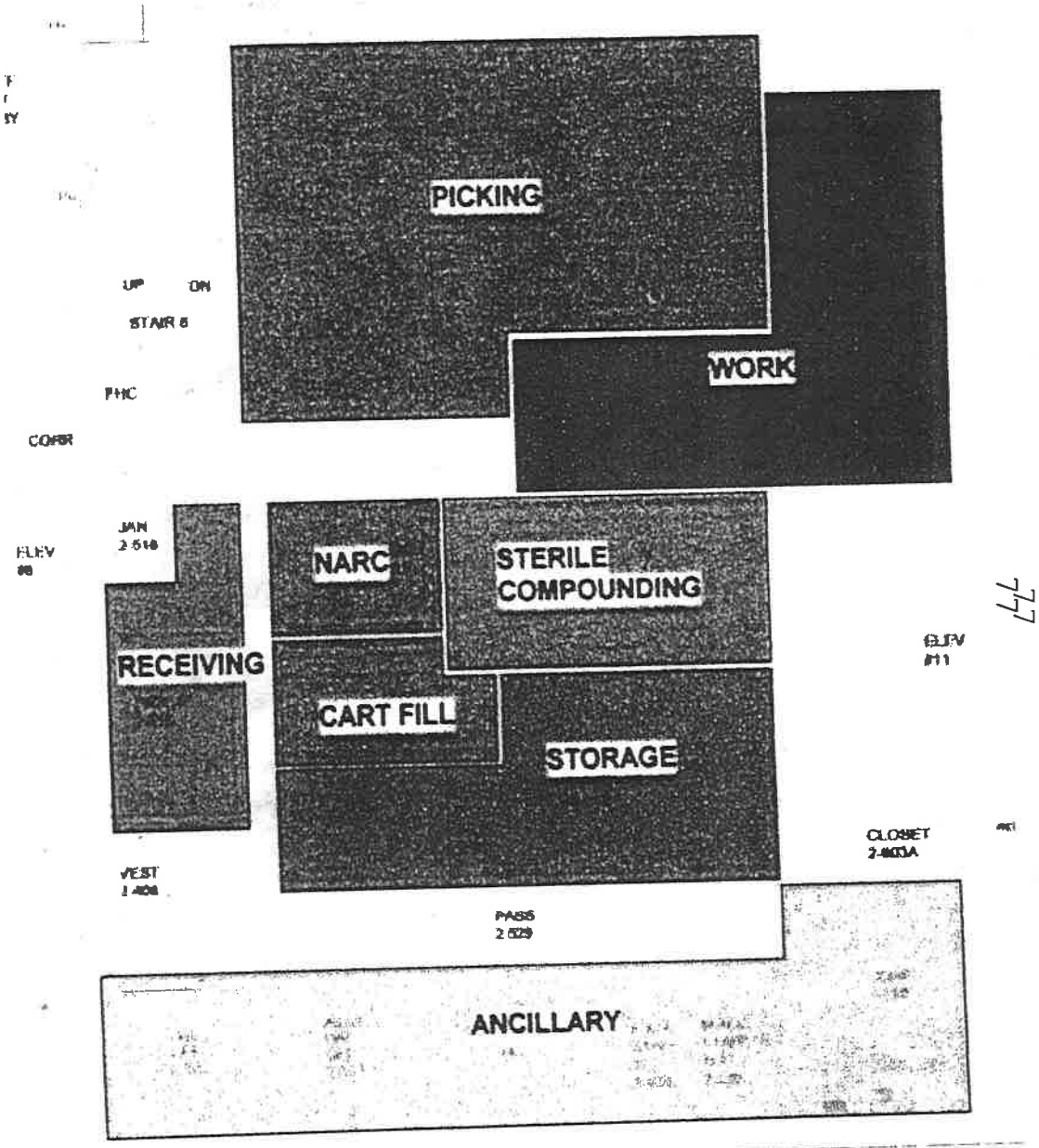
TAB 6

B.II.A

PHARMACY NEEDS

- More efficient layout/flow
- Space to accommodate future patient bed growth
- Future sterile compounding growth
- Future formulary growth and through-put increase
- Additional storage for 4 days of medication stock
- Additional Narcotics storage



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GRESHAM, SMITH AND PARTNERS

SECOND FLOOR PLAN –PHARMACY

TAB 7

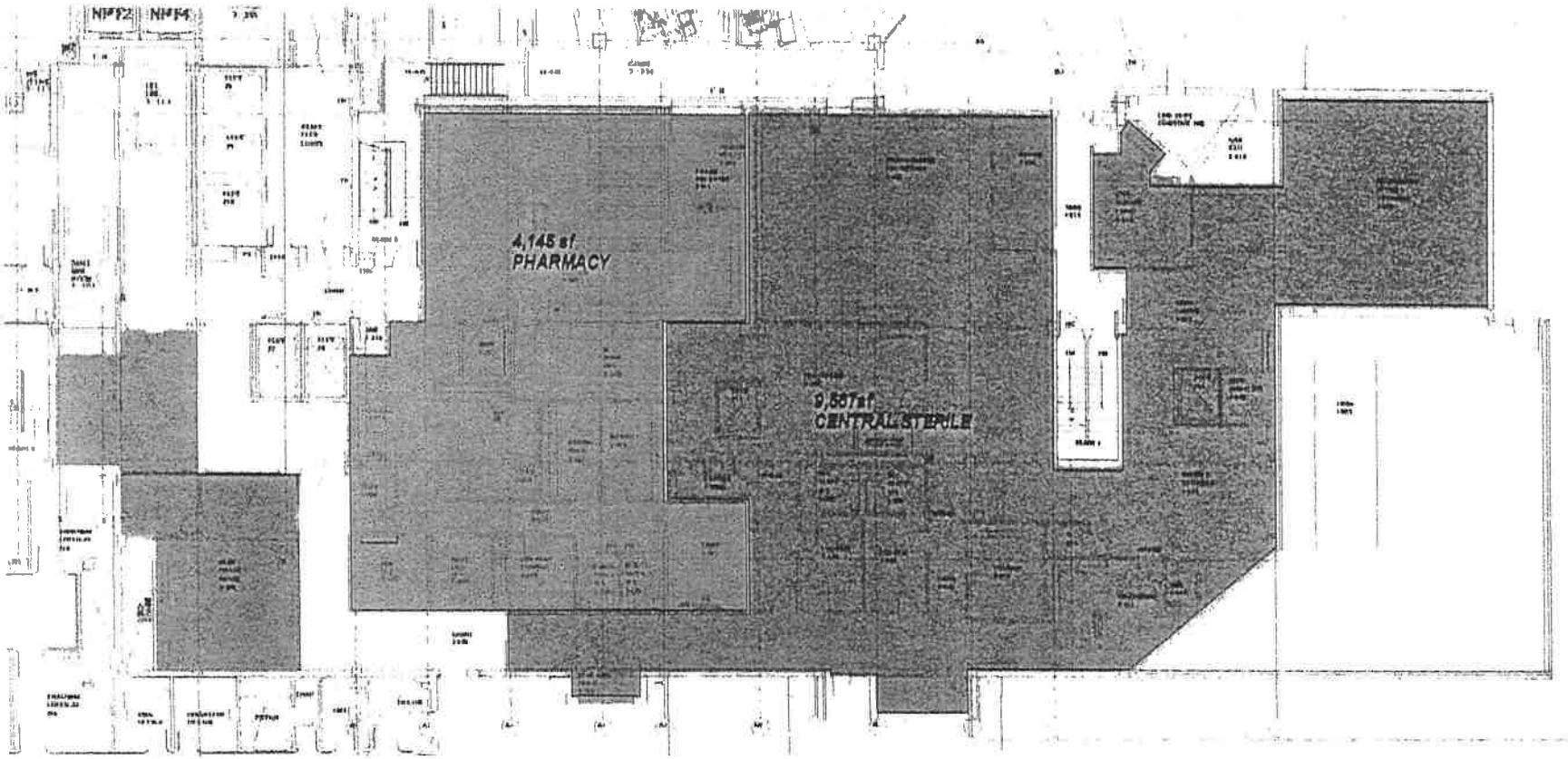
- Expanded Sterile Compounding – room for 4 hoods
- Relocate Robot
- Relocated Med Carousel
- Space for Second Med Carousel
- Dedicated Receiving and Purchasing work areas
- Consolidated storage and refrigerated storage
- Expanded Narcotics storage
- 17 workspaces for pharmacists, clinicians and students
- 4 offices
- Efficient workflow and separation of ancillary spaces

GRESHAM, SMITH AND PARTNERS FIRST FLOOR PLAN – PROPOSED PHARMACY

B.II.A

TAB 8

- In-efficient department layout/flow
- No in-place expansion room for either department
- Correction of CS and Pharmacy issues now reduce scope and cost of future Patient Tower project

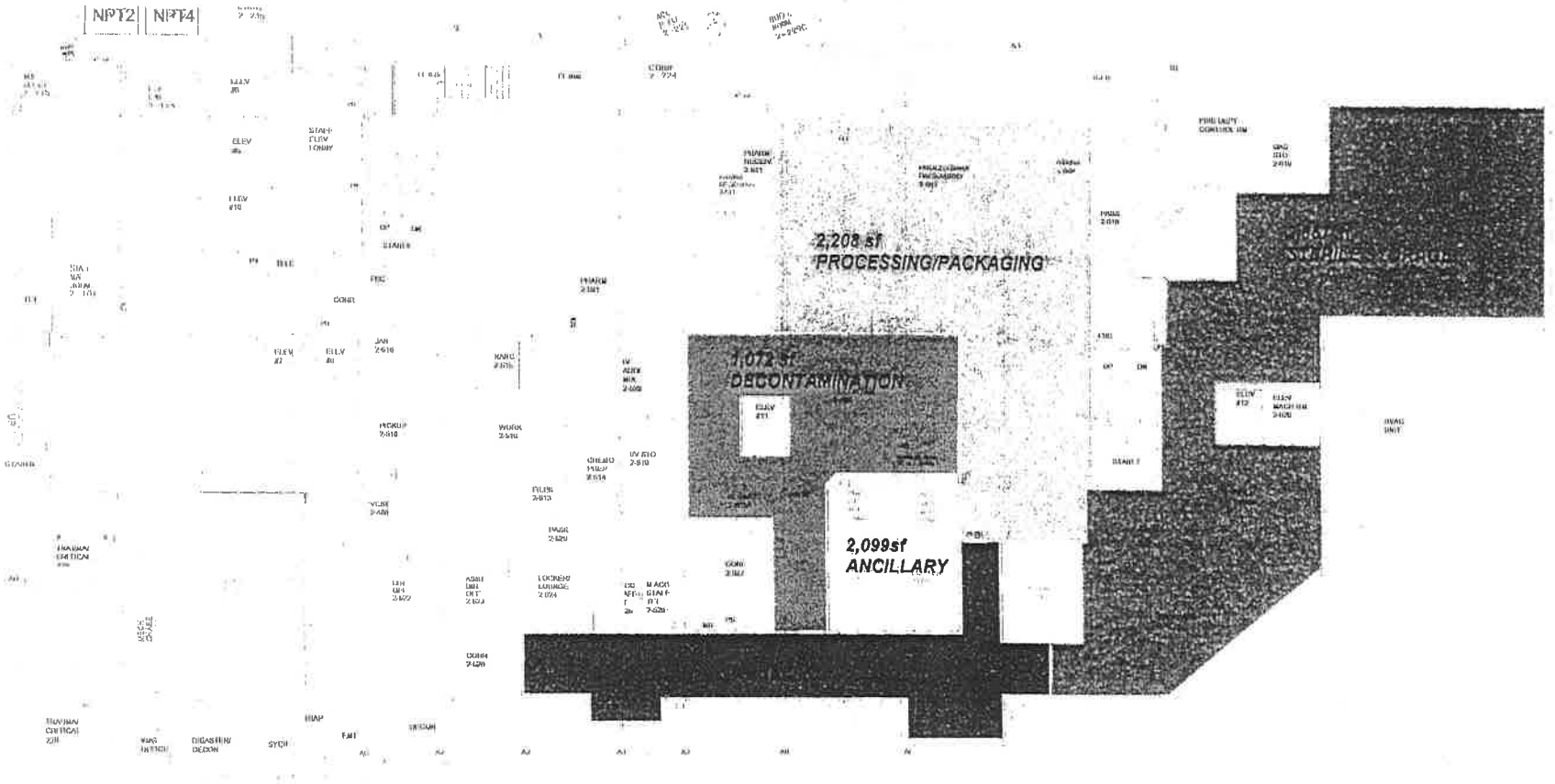


GRESHAM, SMITH AND PARTNERS SECOND FLOOR PLAN – EAST TOWER

TAB 9

CENTRAL STERILE NEEDS:

- Improved receiving area
- More efficient layout
- Increased sterile storage
- Proper location for ancillary spaces
- Increased space in decontamination for equipment to support OR case load
- Increased processing/packaging work area
- Increased space in processing/packaging for equipment to support OR case load

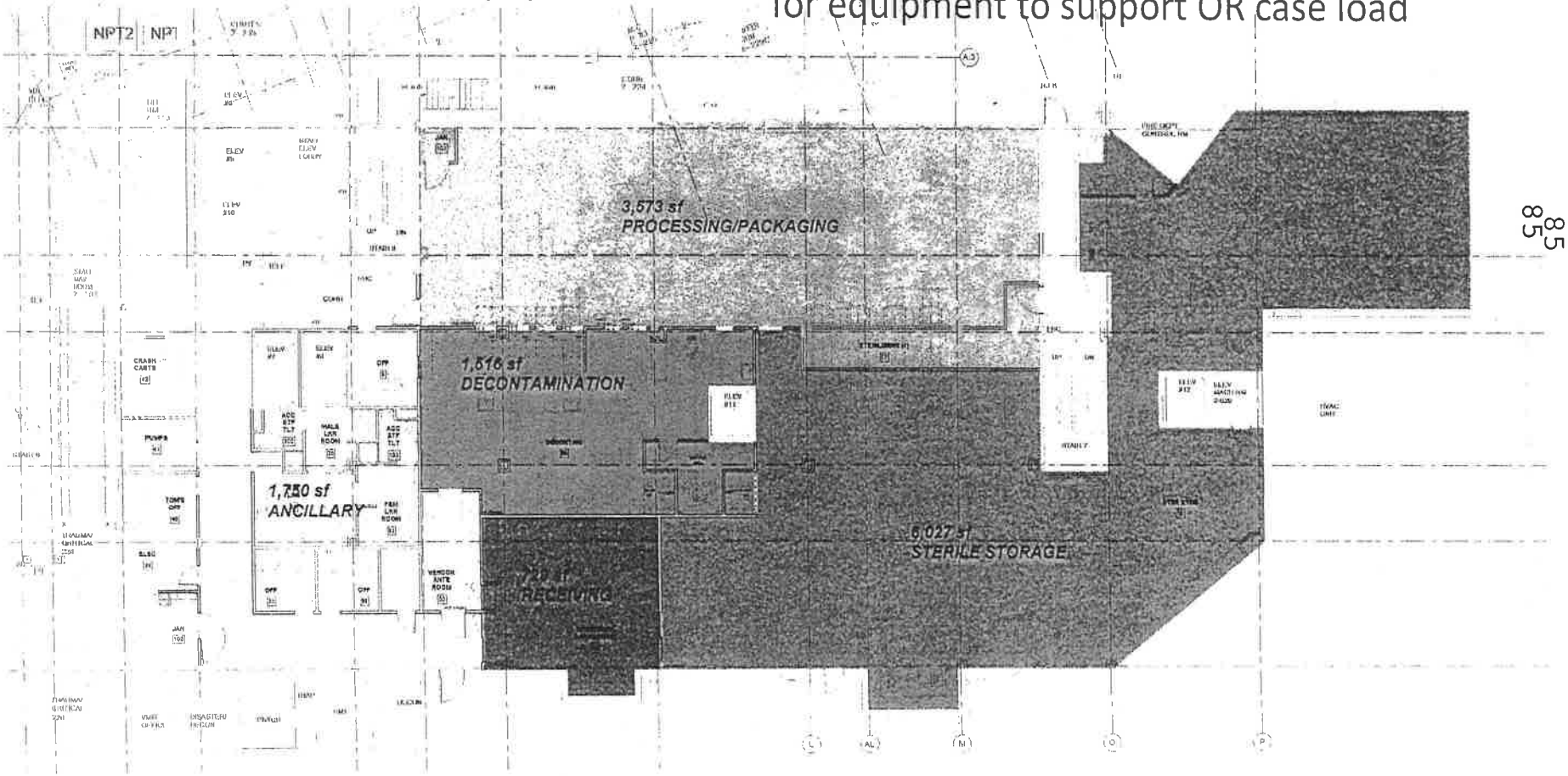


B.II.A

TAB 10

PROPOSED CS PROVIDES:

- Improved flow
- Improved receiving area
- Increased storage
- Proper location for ancillary spaces
- Increased space in decontamination for equipment to support OR case load
- Increased processing/packaging work area
- Increased space in processing/packaging for equipment to support OR case load



GRESHAM, SMITH AND PARTNERS

SECOND FLOOR PLAN – PROPOSED CS

B.II.A

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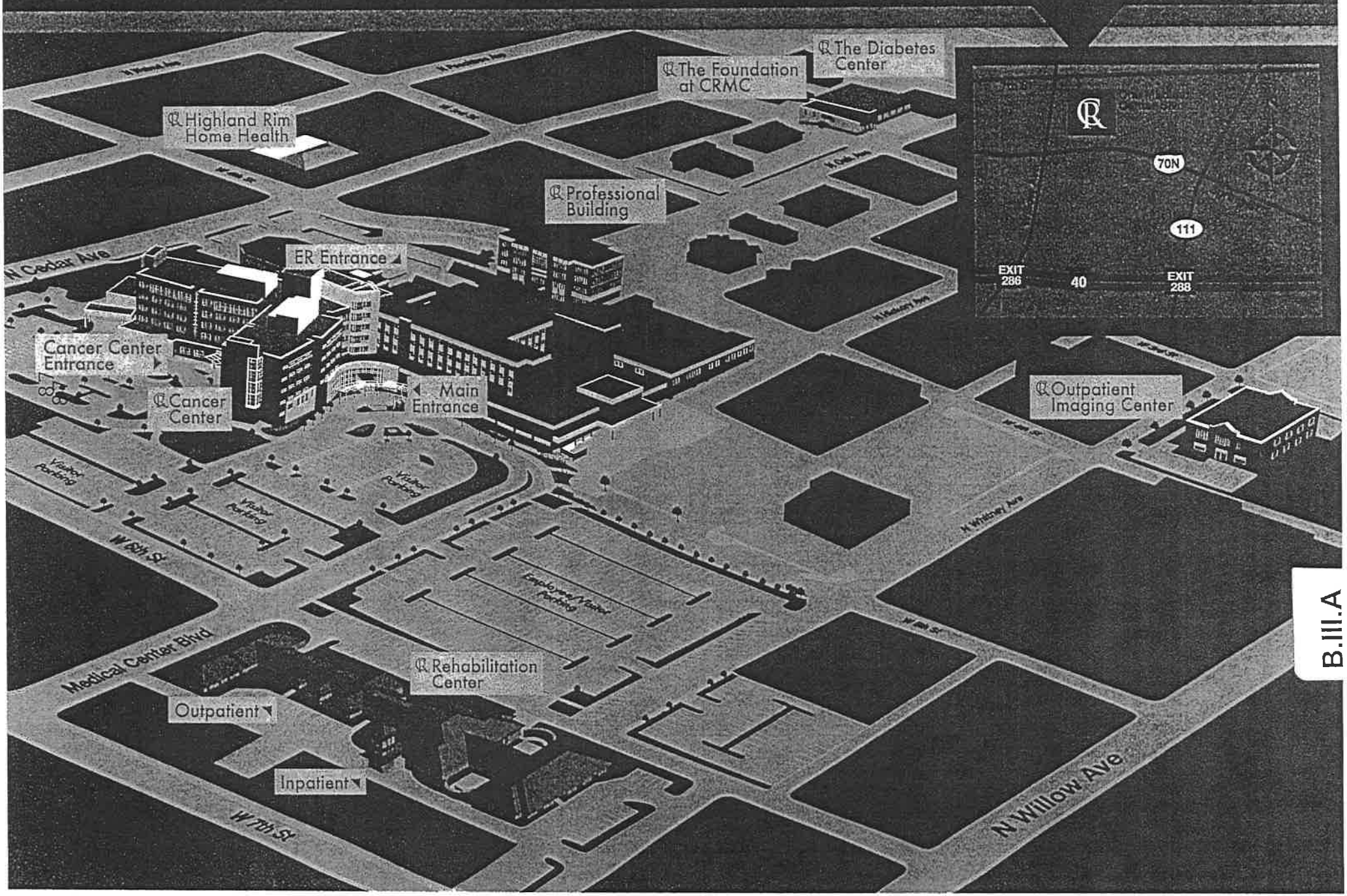
TAB 11

COOKEVILLE REGIONAL MEDICAL CENTER

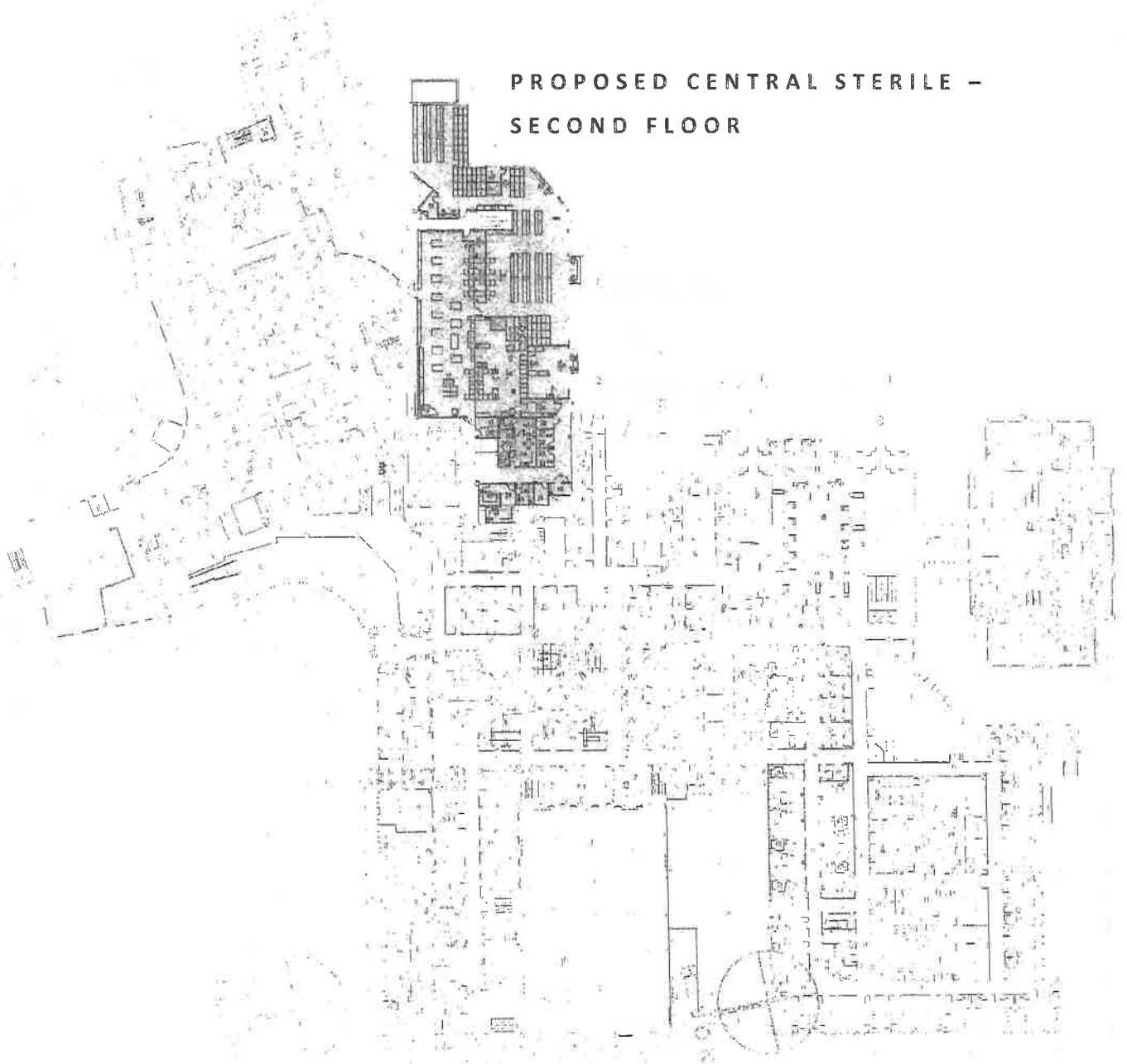
The Proven Choice

One Medical Center Blvd. + Cookeville, TN 38501
931-528-2541 + Physician Referral: 931-783-2571 + crmchealth.org

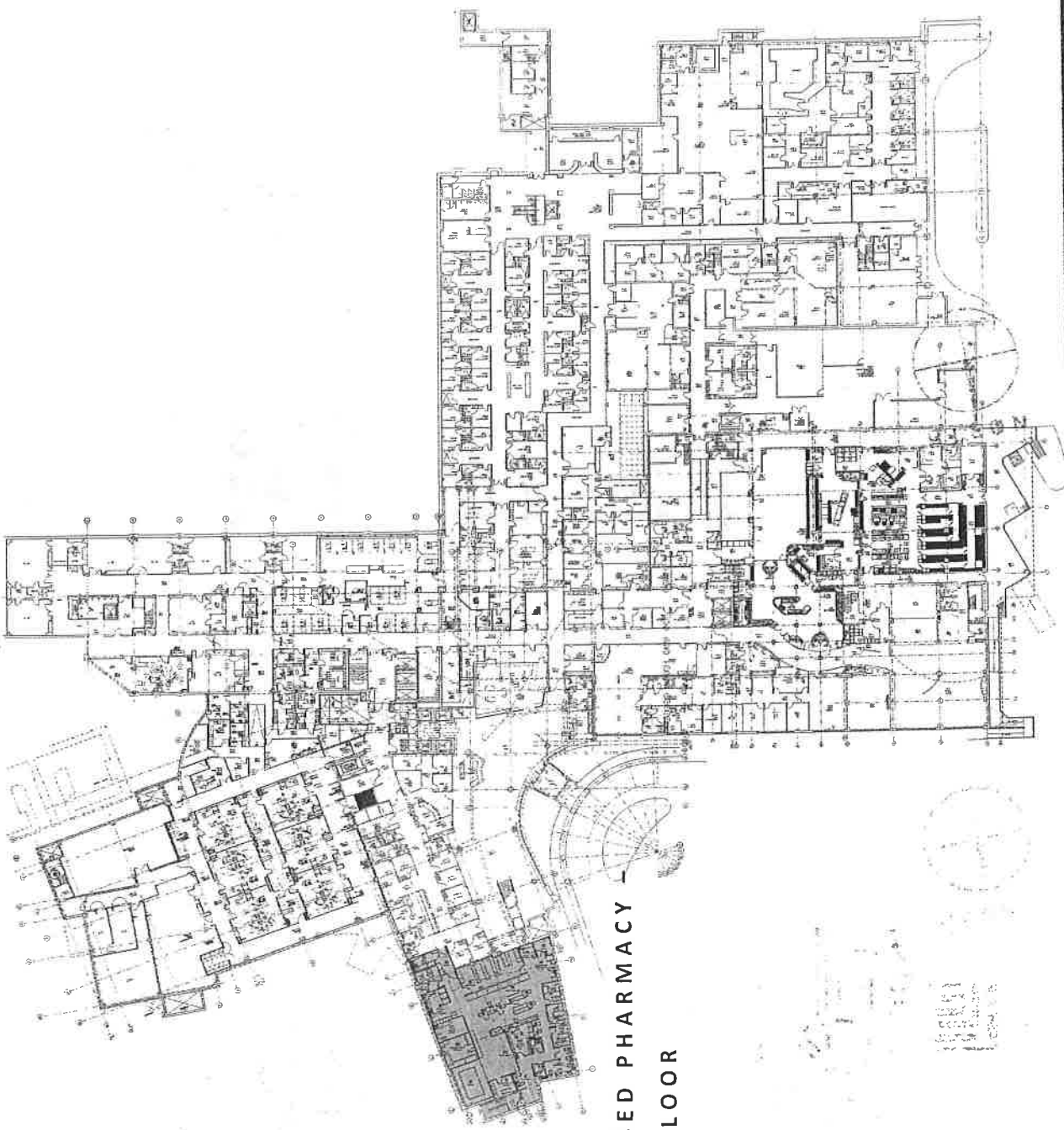


B.III.A

TAB 12


PROPOSED CENTRAL STERILE –
SECOND FLOOR
NORTH

TAB 13



FIRST FLOOR PLAN – OVERALL

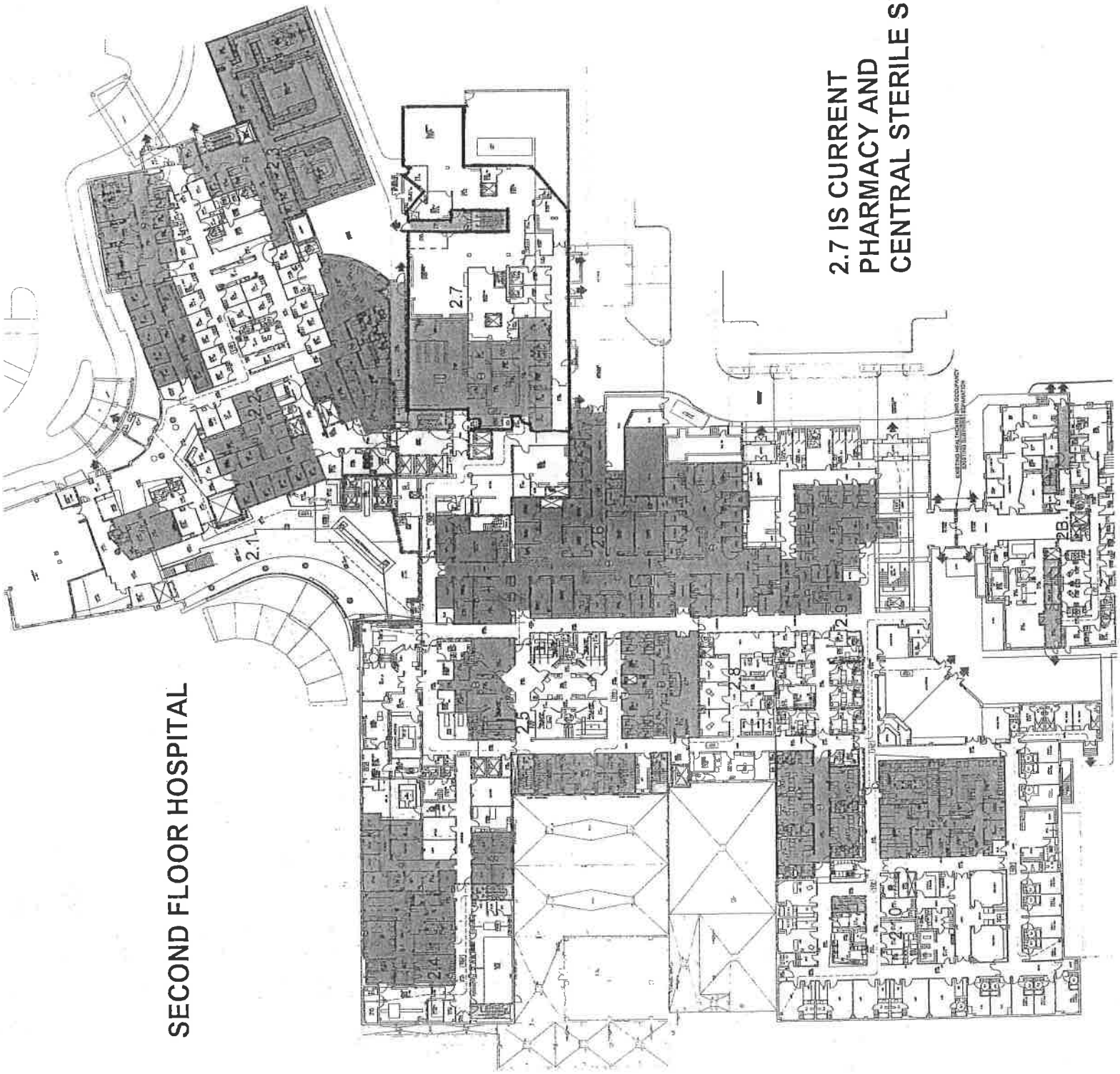
GRESHAM, SMITH AND PARTNERS

TAB 14


Medical Center Property
COOKEVILLE TENNESSEE
NORTH
S WILLOW AVE
MILL AVE
W 3RD ST
W 4TH ST
W 5TH ST
W 6TH ST
W 7TH ST
W 8TH ST
W 9TH ST
W 10TH ST
W 11TH ST
N WHITNEY AVE
MONTGOMERY AVE
N HICKORY AVE
N OAK AVE
N CEDAR AVE
N PEACHTREE AVE
N WALNUT AVE
MEDICAL CENTER BLVD
Cookeville Regional Medical Center
TENNESSEE TECH
Nashville & Eastern Railroad
POPLAR AVE
Map Prepared by Cookeville Planning Department (G. I. S.) TERRY CLARK - Cartographer 3 - 10 - 2010

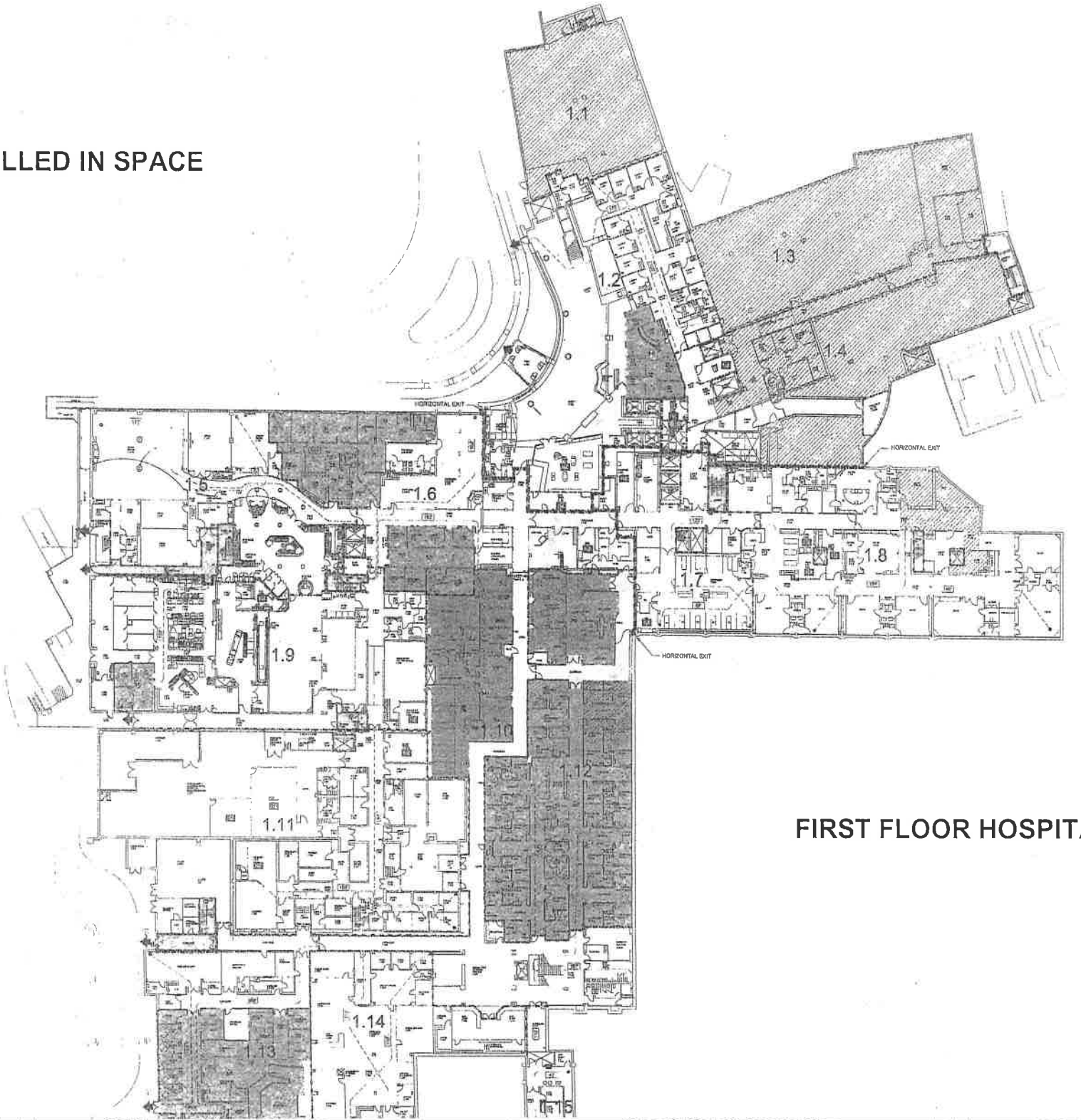
B.III.A

TAB 15


2.7 IS CURRENT
PHARMACY AND
CENTRAL STERILE SERVICES
SECOND FLOOR HOSPITAL
2.1
2.2
2.3
2.4
2.5
2.6
2.7
2.8
2.9
2B

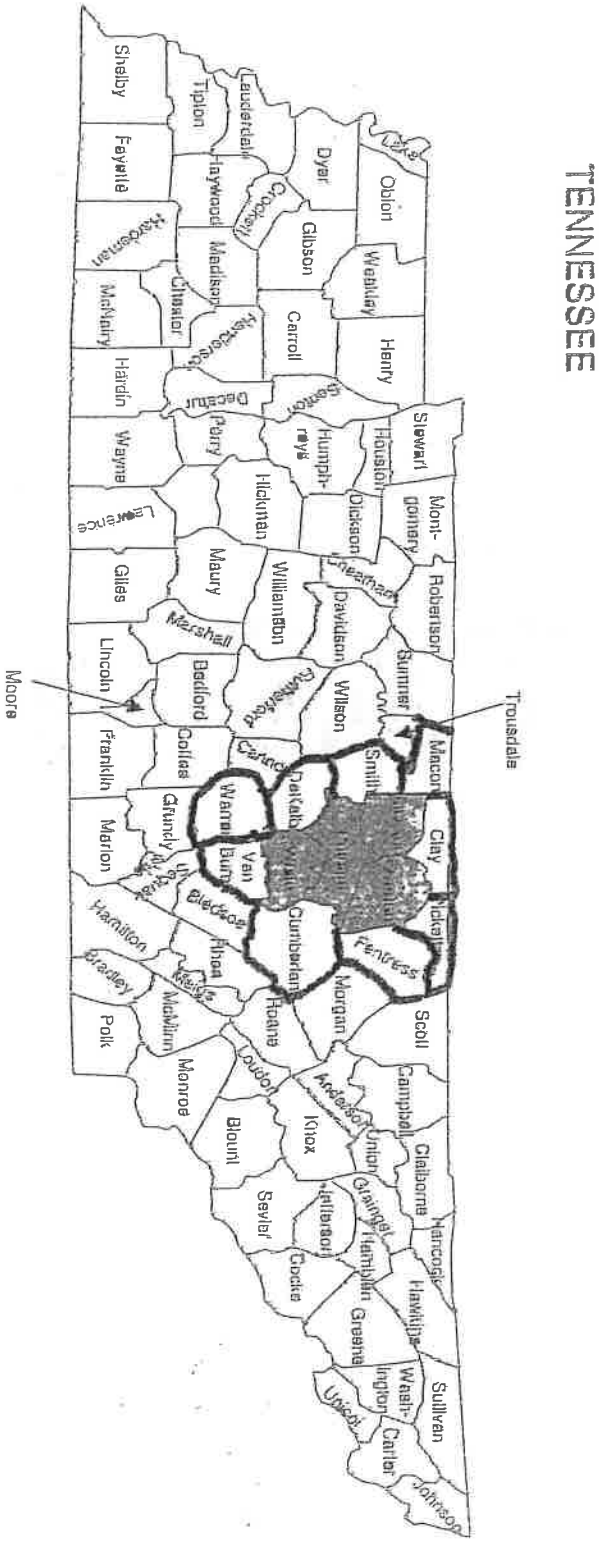
TAB 16

1.1 SHELLED IN SPACE



FIRST FLOOR HOSPITAL

TAB 17


TENNESSEE
Moore
Trousdale
Shelby
Tipton
Lauderdale
Fayette
Haywood
Crockett
Dyer
Lake
Obion
Hardeman
Madison
Gibson
Weakley
Chester
McNairy
Henderson
Carroll
Henry
Hardin
Decatur
Benton
Stewart
Wayne
Perry
Humphreys
Houston
Lawrence
Hickman
Dickson
Montgomery
Robertson
Giles
Maury
Williamson
Cheatham
Davidson
Marshall
Lincoln
Bedford
Rutherford
Wilson
Sumner
Franklin
Coffee
Cannon
DeKalb
Smith
Macon
Grundy
Warren
Van Buren
White
Clay
Marion
Sequatchie
Bledsoe
Cumberland
Fentress
Hamilton
Rhea
Roane
Morgan
Scott
Bradley
Meigs
McMinn
Polk
Monroe
Loudon
Anderson
Campbell
Claiborne
Blount
Knox
Union
Grainger
Jefferson
Sevier
Cocke
Hancock
Hawkins
Greene
Unicoi
Washington
Sullivan
Carter
Johnson

C.3 NEED

TAB 18

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	2010 total population	2010 age 65 and over	% of age 65 and over to total		2014 total population	2014 age 65 and over	% of age 65 and over to total
Putnam	71,140	10,524	14.7%		73,942	11,907	16.1%
White	25,189	4,149	16.4%		25,896	4,575	17.6%
Jackson	11,277	1,881	16.6%		11,581	2,122	18.3%
Overton	21.208	3,601	16.9%		21,567	3,941	18.2%
Total Primary service area	128,814	20,155	15.6%		132,986	22,545	16.9%
Clay	8,184	1,402	17.1%		8,256	1,534	18.5%
Cumberland	54,840	13,558	24.7%		56,879	15,276	26.8%
DeKalb	19,080	2,800	14.6%		19,710	3,038	15.4%
Fentress	17,965	2,959	16.4%		18,380	3,369	18.3%
Macon	22,746	2,931	12.8%		23,706	3,251	13.7%
Pickett	5,001	1,038	20.7%		5,144	1,162	22.5%
Smith	19,702	2,505	12.7%		20,565	2,787	13.5%
Van Buren	5,513	835	15.1%		5,538	923	16.6%
Warren	41,541	6,040	14.5%		43,042	6,670	15.4%
Total secondary service area	194,572	34,068	17.5%		201,220	38,010	18.8%
Total overall	323,386	54,223	16.7%		334,206	60,555	18.1%

	2009 total population	Total TennCare	% of Tenncare to total population				
Putnam	70,390	14,325	20.3%				
White	24,992	5,804	23.2%				
Jackson	11,177	2,707	24.2%				
Overton	21,070	4,993	23.6%				
Total Primary service area	127,629	27,829	21.8%				
Clay	8,138	2,173	26.7%				
Cumberland	54,164	10,476	19.3%				
DeKalb	18,886	4,375	23.1%				
Fentress	17,823	6,190	34.7%				
Macon	22,472	5,507	24.5%				
Pickett	4,963	1,148	23.1%				
Smith	19,449	3,895	20.0%				
Van Buren	5,489	1,352	24.6%				
Warren	41,139	9,771	23.7%				
Total secondary service area	192,523	44,887	23.3%				
Total overall	320,152	72,716	22.7%				

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TAB 20

COOKEVILLE REGIONAL
MEDICAL CENTER
The Proven Choice
1 Medical Center Boulevard • Cookeville, TN 38501
931.528.2541
For proven care, visit www.crmchealth.org

May 1, 2013

Melanie M. Hill, Executive Director
Tennessee Health Facilities Commission
Andrew Jackson Building, Suite 850
500 Deadrick Street
Nashville, Tennessee 37243

Dear Ms. Hill:

Cookeville Regional Medical Center is applying for a Certificate of Need for the expansion and renovation of our Central Sterile Supply Department and the relocation and expansion of our Pharmacy Department. This will require a capital expenditure estimated in the CON application at approximately $11,546,920.

As the Chief Executive Officer I am writing to confirm that Cookeville Regional Medical Center has sufficient operating cash flow and cash reserves to provide for the entire cost of the project without the need to borrow any funds. The project is estimated to take 28 to 30 months, thus the cost will be incurred over four separate budget cycles, including the current fiscal year.

Sincerely,

Paul Korth
Chief Executive Officer
Cookeville Regional Medical Center

PK/my

C: File

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TAB 21

Turner

Turner Construction Company
5300 Virginia Way
Brentwood, TN 37027
phone: 615-231-6300
fax: 615-231-6301

April 25, 2013

Subject: Cookeville Regional Medical Center
Central Sterile & Pharmacy Renovation
Verification of Construction Cost Estimate

To Whom It May Concern:

Turner Construction Company is an international construction management and general contracting firm based in New York City, with a regional office located in Brentwood, Tennessee. We have reviewed the preliminary Schematic Design Package for the above referenced project.

After reviewing the information provided to us, it is our opinion at this time that that the projected construction cost of $7,889,418 is reasonable for this type, scope, and complexity of project, and compares similarly to other similar projects in the same geographic region.

Sincerely,

Andy S. Hylton
Manager, Preconstruction Services

Cc: Scott Roder, CRMC
Brad Simmons, TCCo
file

TAB 22

GRESHAM
SMITH AND
PARTNERS

April 26, 2013

To Whom it May Concern:

Subject: **Verification of Construction Cost Estimates**
Central Sterile/Pharmacy Expansion
Cookeville, Tennessee
GS&P Project No. 29379.00

Gresham, Smith and Partners is an architectural and engineering firm located in Nashville, Tennessee and has reviewed the cost data for the above referenced project for which this firm has provided preliminary design. The stated cost for this approximately 21,081 square foot renovation is $7,889,418. [In providing opinions of probable construction cost, the Client understands that the over-all market conditions or the Contractor's method of pricing, and that the Consultant's opinions of probably construction costs are made on the basis of the Consultant's professional judgment and experience. The Consultant makes no warranty, expressed or implied that the bids or negotiated cost of the work will not vary from the Consultant opinion of probable cost.]

It is in our professional opinion, at this time, the projected cost is reasonable for this type and size of project and compares appropriately with similar projects in this market.

The building codes applicable to this project will be:

- International Building Code, 2006 Edition
- NFPA 101, Life Safety Code, 2006 Edition
- ANSI A117.1, 2003 Edition
- FGI Guidelines for Design and Construction of Healthcare Facilities, 2010 Edition

Sincerely,

S. Robert Hamby, AIA, NCARB, LEED AP, EDAC
Project Architect

srh

TAB 23

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Audited Financial Statements and Other Information

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Table of Contents

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Cookeville Regional Medical Center Authority
Cookeville, Tennessee:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Cookeville Regional Medical Center Authority (Cookeville Regional Medical Center and Affiliates) (the "Medical Center"), a component unit of the City of Cookeville, Tennessee, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Cookeville Regional Medical Center Authority as of June 30, 2012 and 2011, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2012 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 2012 audit.

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Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
October 26, 2012

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Management's Discussion and Analysis

Our discussion and analysis of the financial performance of Cookeville Regional Medical Center Authority (the Medical Center) provides an overview of the Medical Center's financial activities for the fiscal years ended June 30, 2012, 2011 and 2010. Please read this discussion and analysis in conjunction with the accompanying Medical Center's financial statements and footnotes.

FINANCIAL HIGHLIGHTS

The Medical Center's net assets increased in 2012 by $5,352,734 which is consistent with the trend for the past two years which demonstrated a $7,813,430 increase in 2011 and an $11,787,728 increase in 2010.

- The Medical Center reported operating income in 2012, 2011 and 2010 of $8,093,067, $10,134,415 and $14,214,644, respectively.
- Operating expenses increased by $8,966,812 or 4% percent in 2012 compared to 2011.

USING THIS ANNUAL REPORT

The Medical Center's financial statements consist of three statements a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

THE BALANCE SHEET AND STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net assets and changes in them. You can think of the Medical Center's net assets - the difference between assets and liabilities - as one way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net assets are one indicator of whether the Medical Center's financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Medical Center's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Medical Center.

THE STATEMENTS OF CASH FLOWS

The final required statement is the Statements of Cash Flows. The Statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

THE MEDICAL CENTER'S NET ASSETS

The Medical Center's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Medical Center's net assets increased by $5,352,734, (3%), in 2012 as compared to $7,813,430, (5%), in 2011 and an increase in 2010 of $11,787,728 (9%).

OPERATING RESULTS AND CHANGES IN THE MEDICAL CENTER'S NET ASSETS

The Medical Center continues to experience increases in inpatient days of 2%, 5% and 3% for 2012, 2011 and 2010, respectively. Outpatient volume also continues to increase by 3% and 3% in 2012 and 2011, respectively. In 2012 net patient service revenue increased by $5,897,171 (3%). This increase can be attributed to the increase in volume experienced by the Medical Center in the Imaging Center when the Medical Center acquired the imaging services from Tennessee Heart, PLLC.

OPERATING INCOME

The first component of the overall change in the Medical Center's net assets is its operating income (loss) - generally, the difference between net patient service and expenses incurred to perform those services. In each of the past three years, the Medical Center has reported an operating income. This is consistent with the Medical Center's entire operating history. Operating income in 2012 decreased by 20% when compared to 2011, which decreased 29% percent from the operating income reported in 2010. Employee salary and benefits costs have increased over the past three years based on rates established with market surveys for the corresponding year and an average cost of living increase of 3%. Contributing to the increase in employee salary and benefit costs was the employment of the cardiologists from Tennessee Heart, PLLC which had a net impact for salary and benefits compared to last year of 18%. During the fiscal year, the Medical Center eliminated certain sick benefits which were payable upon retirement that resulted in approximately $708,000 being recognized as income. Also, during the fiscal year the Medical Center experienced approximately a 6% increase in other expenses in which the majority is related to implementation of the "meaningful use" certified electronic health record (EHR). In order to meet the requirements for the "meaningful use" criteria, the Medical Center has executed several new software maintenance contracts and upgraded several existing applications. The Medical Center anticipates beginning the attestation period on January 1, 2013 and anticipates receiving the incentive payments for the adoption and meaningful use of the certified electronic health record technology beginning in the last quarter of fiscal year 2013.

A component of the Medical Center's costs is expenses for medical supplies. During fiscal year 2012, the medical and other supplies increased 4% as compared to 2011. The majority of this increase can be attributed to the new technology that is available at the Medical Center such as robotic surgery for various specialties and the electrophysiology. Robotic surgery has been available at the Medical Center but the volume for this service continues to increase with the demands of the industry. Electrophysiology became available as a service at the Medical Center in May 2011. During fiscal year 2012, the electrophysiology suite was completed and this service experienced an increase in volume of 135%. Also, during the year the Medical Center experienced higher drug costs along with the rest of the industry due to the shortage of certain drugs.

The Medical Center's provision for bad debt continued to increase in 2012 by 13% when compared to 2011 as it did in 2011 in comparison to 2010. In spite of the rise in premium costs throughout our economy, the Medical Center continues to manage the bad debts of the facility. Employers are increasing out-of-pocket expenses for their employees in an effort to reduce the premium costs for the employer. Along with this increased cost to the employee comes the increased number of uninsured due to the inability to pay the extra out-of-pocket expense. The Medical Center continues to write off accounts to bad debt once an account is deemed uncollectible. The Medical Center works hard to collect the balance of the account within 150 days, prior to the account being reserved for as bad debt.

OPERATING INCOME - Continued

The Medical Center sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals set forth for the Medical Center when it was established. The level of services provided to these patients in 2012 and 2011 was $2,921,919 and $2,755,715, respectively. Because there is no expectation of repayment, charity care is not reported as patient service revenue of the Medical Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: At the end of 2012, the Medical Center had $260,166,482 invested in capital assets, before accumulated depreciation and excluding construction in progress, as detailed in Note 6 of the financial statements. In 2012, the Medical Center purchased new equipment and other additions costing $4,944,451 as compared to additions in 2011 and 2010 of $9,063,944 and $4,203,926, respectively.

During the year the Medical Center continues to take steps to comply with Health Technology for Economic and Clinical Health Act (HITECH). The HITECH act will provide incentive payments to facilities that have an electronic health record (EHR) that meet the "meaningful use" criteria which is established by the act. In order to meet the meaningful use criteria established by HITECH, the Medical Center purchased several information systems. The Medical Center invested approximately $4.1 million dollars in new technology for the facility.

The Medical Center completed the build out of the new Electrophysiology suite in July 2012. The Medical Center invested approximately $3.5 million dollars to construct a state of the art lab to bring new technology to patients of the Upper Cumberland. The Medical Center is in the process of building new surgery suites to accommodate the increased surgical volume at the facility. During the fiscal year, the Medical Center invested approximately $11 million dollars in the surgery project which has an estimated completion cost of approximately $17 million dollars.

Debt: At year-end, the Medical Center had $88,345,466 in bonds as compared to $91,170,821 and $63,637,075 outstanding in 2011 and 2010, respectively.

As detailed in Note 8, the Medical Center issued $30,000,000 Build America Bonds Series 2011 during fiscal year 2011. A portion of the bonds were used to fund the completion of the new OB suites and Electrophysiology Labs that were completed during fiscal year 2011. The remainder of the funds will be used to complete the new surgical suite construction which should be completed in fiscal year 2013. These bonds provide for a refundable tax credit paid to the Medical Center by the Treasury Department and the Internal Revenue Service in an amount equal to 35% of the total coupon interest payable on these taxable bonds. Please see Note 8 and Note 9 for additional information.

OTHER ECONOMIC FACTORS

There is much uncertainty regarding the economy and the impact on healthcare. With the passage of the national Healthcare Reform Bill and the reductions in the State budget for TennCare, additional demands are being placed on healthcare providers. Healthcare providers are challenged more than ever with balancing declining revenues and increased expenses while providing the best quality patient care.

CONTACTING THE MEDICAL CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Medical Center's Accounting Office at Cookeville Regional Medical Center, 1Medical Center Boulevard, Cookeville, Tennessee 38501.

OFFICERS

Menachem Langer, MD, MBA, Chief Executive Officer
Paul Korth CFO, Chief Financial Officer
Linda Crawford, Chief Clinical Officer
John Beal, Chief Legal Counsel

BOARD OF TRUSTEES

Paul Swallows, Chairman
Drue Huffines, Past-Chairman
Bob Allen, Vice-Chairman
David Hatcher, Secretary
Bob Bell
Marilyn Gray
Sullivan Smith, MD
Matt Swallows, Mayor
Jason Nolan, M.D

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Balance Sheets

June 30, 2012

Assets

	Hospital	Children's Center	CRMG	MSO Sub 1	Total
Current assets:					
Cash and cash equivalents	$ 16,571,850	$ 26,385	$ 232,506	$ 105,221	$ 16,935,962
Short-term investments	5,473,333	-	-	-	5,473,333
Patient accounts receivable, less allowance for uncollectible accounts of $12,065,579	24,542,664	-	1,077,150	1,413,110	27,032,924
Other receivables	599,904	-	-	37	599,941
Inventories	6,137,550	1,426	55,518	-	6,194,494
Prepaid expenses	2,403,039	443	11,153	353,119	2,767,754
Total current assets	55,728,340	28,254	1,376,327	1,871,487	59,004,408
Assets limited as to use:					
By Board for capital acquisitions	10,000,000	-	-	-	10,000,000
By bond indenture agreement	10,235,074	-	-	-	10,235,074
Total assets limited as to use	20,235,074	-	-	-	20,235,074
Property and equipment, net	180,864,079	835,176	63,815	-	181,763,070
Other assets:					
Long-term investments	12,566,193	-	-	-	12,566,193
Investment in joint venture	863,078	-	-	-	863,078
Bond issuance costs, net	443,934	-	-	-	443,934
Deferred outflows - interest rate swap	4,934,572	-	-	-	4,934,572
Other noncurrent receivables	396,079	-	-	-	396,079
Total other assets	19,203,856	-	-	-	19,203,856
	$ 276,031,349	$ 863,430	$ 1,440,142	$ 1,871,487	$ 280,206,408

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Balance Sheets, Continued

June 30, 2012

Liabilities and Net Assets

	Hospital	Children's Center	CRMG	MSO Sub 1	Total
Current liabilities:					
Accounts payable	$ 8,697,206	$ 2,618	$ 273,722	$ 112,611	$ 9,086,157
Accrued salaries and related liabilities	5,716,406	14,531	519,142	263,248	6,513,327
Other accrued expenses	3,609,447	6,985	578	-	3,617,010
Current portion of long-term debt	2,964,527	-	-	-	2,964,527
Estimated amounts due to third-party payors	4,456,985	-	-	-	4,456,985
Total current liabilities	25,444,571	24,134	793,442	375,859	26,638,006
Due to (from) related party	(16,812,359)	144,125	14,004,419	2,663,815	-
Long-term debt, excluding current portion	85,380,939	-	-	-	85,380,939
Other long-term liabilities - estimated fair value of interest rate swap	4,934,572	-	-	-	4,934,572
Total liabilities	98,947,723	168,259	14,797,861	3,039,674	116,953,517
Net assets:					
Invested in capital assets, net of related debt	102,753,687	835,176	63,815	-	103,652,678
Unrestricted (deficit)	74,329,939	(140,005)	(13,421,534)	(1,168,187)	59,600,213
Total net assets	177,083,626	695,171	(13,357,719)	(1,168,187)	163,252,891
	$ 276,031,349	$ 863,430	$ 1,440,142	$ 1,871,487	$ 280,206,408

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Balance Sheets

June 30, 2011

Assets

	Hospital	Children's Center	CRMG	Total
Current assets:				
Cash and cash equivalents	$ 1,829,045	$ 13,701	$ 833,626	$ 2,676,372
Short-term investments	21,489,805	-	-	21,489,805
Patient accounts receivable, less allowance for uncollectible accounts of $13,729,048	21,515,807	-	1,459,302	22,975,109
Other receivables	518,017	-	-	518,017
Inventories	5,648,717	542	71,293	5,720,552
Prepaid expenses	2,025,969	-	24,102	2,050,071
Total current assets	53,027,360	14,243	2,388,323	55,429,926
Assets limited as to use:				
By Board for capital acquisitions	10,000,000	-	-	10,000,000
By bond indenture agreement	27,190,755	-	-	27,190,755
Total assets limited as to use	37,190,755	-	-	37,190,755
Property and equipment, net	167,990,162	856,851	77,223	168,924,236
Other assets:				
Long-term investments	5,671,298	-	-	5,671,298
Investment in joint venture	943,158	-	-	943,158
Bond issuance costs, net	513,938	-	-	513,938
Deferred outflows - interest rate swap	3,453,886	-	-	3,453,886
Other noncurrent receivables	911,616	-	-	911,616
Total other assets	11,493,896	-	-	11,493,896
	$ 269,702,173	$ 871,094	$ 2,465,546	$ 273,038,813

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Balance Sheets, Continued

June 30, 2011

Liabilities and Net Assets

	Hospital	Children's Center	CRMG	Total
Current liabilities:				
Accounts payable	$ 6,811,189	$ 2,037	$ 118,363	$ 6,931,589
Accrued salaries and related liabilities	6,028,265	24,048	574,749	6,627,062
Other accrued expenses	4,636,726	7,195	(252)	4,643,669
Current portion of long-term debt	2,825,356	-	-	2,825,356
Current portion of capital lease obligations	14,130	-	-	14,130
Estimated amounts due to third-party payors	2,297,499	-	-	2,297,499
Total current liabilities	22,613,165	33,280	692,860	23,339,305
Due to (from) related party	(7,899,097)	24,282	7,874,815	-
Long-term debt, excluding current portion	88,345,465	-	-	88,345,465
Other long-term liabilities - estimated fair value of interest rate swap	3,453,886	-	-	3,453,886
Total liabilities	106,513,419	57,562	8,567,675	115,138,656
Net assets:				
Invested in capital assets, net of related debt	103,995,966	856,851	77,223	104,930,040
Unrestricted (deficit)	59,192,788	(43,319)	(6,179,352)	52,970,117
Total net assets	163,188,754	813,532	(6,102,129)	157,900,157
	$ 269,702,173	$ 871,094	$ 2,465,546	$ 273,038,813

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Statements of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012

	Hospital	Children's Center	CRMG	MSO Sub 1	Total
Operating Revenue:					
Net patient service revenue, net of provision for bad debts of $20,442,719	$ 219,736,928	$ -	$ 11,938,706	$ 3,552,621	$ 235,228,255
Other revenue	3,809,020	553,070	247,839	-	4,609,929
Total operating revenue	223,545,948	553,070	12,186,545	3,552,621	239,838,184
Operating expenses:					
Salaries, wages and benefits	107,041,900	576,062	15,951,023	3,053,434	126,622,419
Medical and other supplies	50,878,171	36,266	467,338	2,796	51,384,571
Purchased services	19,384,044	9,733	1,796,918	1,490,115	22,680,810
Repairs and maintenance	6,858,719	2,922	12,730	13,605	6,887,976
Depreciation and amortization	11,939,677	26,799	46,781	-	12,013,257
Payments in lieu of taxes	700,000	-	-	-	700,000
Other expenses	10,106,210	19,723	1,169,293	160,858	11,456,084
Total operating expenses	206,908,721	671,505	19,444,083	4,720,808	231,745,117
Operating income (loss)	16,637,227	(118,435)	(7,257,538)	(1,168,187)	8,093,067
Nonoperating income (expenses):					
Investment income	360,647	-	-	-	360,647
Interest expense	(2,828,861)	-	(327)	-	(2,829,188)
Contributions to City of Cookeville	(560,391)	-	-	-	(560,391)
Gain (loss) on disposal of property and equipment	56,858	-	(663)	-	56,195
Other, net	229,392	74	2,938	-	232,404
Net nonoperating revenue (expense)	(2,742,355)	74	1,948	-	(2,740,333)
Excess (deficit) of revenue over expenses	13,894,872	(118,361)	(7,255,590)	(1,168,187)	5,352,734
Net assets, beginning of year	163,188,754	813,532	(6,102,129)	-	157,900,157
Net assets, end of year	$ 177,083,626	$ 695,171	$ (13,357,719)	$ (1,168,187)	$ 163,252,891

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Statements of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2011

	Hospital	Children's Center	CRMG	Total
Operating Revenue:				
Net patient service revenue, net of provision for bad debts of $18,105,485	$ 217,315,200	$ -	$ 12,015,884	$ 229,331,084
Other revenue	2,809,877	534,782	236,977	3,581,636
Total operating revenue	220,125,077	534,782	12,252,861	232,912,720
Operating expenses:				
Salaries, wages and benefits	104,876,122	528,082	15,301,453	120,705,657
Medical and other supplies	48,836,206	31,788	584,818	49,452,812
Purchased services	20,564,911	9,508	2,401,570	22,975,989
Repairs and maintenance	6,377,007	5,149	17,391	6,399,547
Depreciation and amortization	11,722,850	26,508	77,343	11,826,701
Payments in lieu of taxes	700,000	-	-	700,000
Other expenses	9,440,612	20,113	1,256,874	10,717,599
Total operating expenses	202,517,708	621,148	19,639,449	222,778,305
Operating income (loss)	17,607,369	(86,366)	(7,386,588)	10,134,415
Nonoperating income (expenses):				
Investment income	344,770	-	-	344,770
Interest expense	(2,895,569)	-	(3,577)	(2,899,146)
Loss on disposal of property and equipment	(70,619)	-	-	(70,619)
Other, net	300,625	139	3,246	304,010
Net nonoperating revenue (expense)	(2,320,793)	139	(331)	(2,320,985)
Excess (deficit) of revenue over expenses	15,286,576	(86,227)	(7,386,919)	7,813,430
Net assets, beginning of year	147,902,178	899,759	1,284,790	150,086,727
Net assets, end of year	$ 163,188,754	$ 813,532	$ (6,102,129)	$ 157,900,157

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Statements of Cash Flows

Year ended June 30, 2012

	Hospital	Children's Center	CRMG	MSO Sub 1	Total
Cash flows from operating activities:					
Receipts from and on behalf of patients	$ 218,869,557	$ -	$ 12,320,858	$ 2,139,511	$ 233,329,926
Receipts from other operations	3,809,020	553,070	247,839	-	4,609,929
Payments to suppliers and contractors	(87,430,655)	(69,600)	(3,261,366)	(1,907,919)	(92,669,540)
Payments to or on behalf of employees	(107,353,759)	(585,579)	(16,006,630)	(2,790,186)	(126,736,154)
Net cash provided (used) by operating activities	27,894,163	(102,109)	(6,699,299)	(2,558,594)	18,534,161
Cash flows from noncapital financing activities:					
Contributions to City of Cookeville	(560,391)	-	-	-	(560,391)
Receipts for nonoperating activities	58,720	74	2,938	-	61,732
Receipts from (payments to) primary enterprise and component units	(8,913,262)	119,843	6,129,604	2,663,815	-
Net cash provided (used) by noncapital financing activities	(9,414,933)	119,917	6,132,542	2,663,815	(498,659)
Cash flows from capital and related financing activities:					
Capital expenditures	(24,852,632)	(5,124)	(37,786)	-	(24,895,542)
Principal paid on bonds and notes payable	(2,305,000)	-	-	-	(2,305,000)
Proceeds from sale of capital assets	95,896	-	3,750	-	99,646
Interest paid (net of amount capitalized) on bonds and capital lease obligations	(3,349,216)	-	(327)	-	(3,349,543)
Repayment of obligations under capital leases	(14,130)	-	-	-	(14,130)
Net cash provided (used) by capital and related financing activities	(30,425,082)	(5,124)	(34,363)	-	(30,464,569)
Cash flows from investing activities:					
Net decrease in investments	9,121,577	-	-	-	9,121,577
Income received from investments	312,822	-	-	-	312,822
Distributions from joint ventures	298,577	-	-	-	298,577
Net decrease in assets limited as to use	16,955,681	-	-	-	16,955,681
Net cash used by investing activities	26,688,657	-	-	-	26,688,657
Net increase (decrease) in cash and cash equivalents	14,742,805	12,684	(601,120)	105,221	14,259,590
Cash and cash equivalents at beginning of year	1,829,045	13,701	833,626	-	2,676,372
Cash and cash equivalents at end of year	$ 16,571,850	$ 26,385	$ 232,506	$ 105,221	$ 16,935,962

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Statements of Cash Flows, Continued

Year ended June 30, 2012

	Hospital	Children's Center	CRMG	MSO Sub 1	Total
Reconciliation of operating income to net cash provided by operating activities:					
Income from operations	$ 16,637,227	$ (118,435)	$ (7,257,538)	$ (1,168,187)	$ 8,093,067
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation and amortization	11,939,677	26,799	46,781	-	12,013,257
Estimated provision for bad debts	18,829,075	-	1,611,108	2,536	20,442,719
Amortization of bond issuance costs	70,004	-	-	-	70,004
(Increase) decrease in cash due to changes in:					
Patient accounts receivable, net	(21,855,932)	-	(1,228,956)	(1,415,646)	(24,500,534)
Inventories	(488,833)	(884)	15,775	-	(473,942)
Prepaid expenses, other receivables, and other assets	56,580	(443)	12,949	(353,156)	(284,070)
Accounts payable	1,886,017	581	155,359	112,611	2,154,568
Accrued salaries and related liabilities	(311,859)	(9,517)	(55,607)	263,248	(113,735)
Other accrued expenses	(1,027,279)	(210)	830	-	(1,026,659)
Estimated third-party payor settlements	2,159,486	-	-	-	2,159,486
Total adjustments	11,256,936	16,326	558,239	(1,390,407)	10,441,094
Net cash provided (used) by operating activities	$ 27,894,163	$ (102,109)	$ (6,699,299)	$ (2,558,594)	$ 18,534,161
Supplemental schedule of noncash investing, capital and financing activities:					
(Gain) loss on disposal of equipment	$ (56,858)	$ -	$ 663	$ -	$ (56,195)
Decrease in companion debt instrument	$ 520,355	$ -	$ -	$ -	$ 520,355
Increase in deferred outflows (interest rate swap)	$ 1,480,686	$ -	$ -	$ -	$ 1,480,686
Income from joint venture	$ 218,497	$ -	$ -	$ -	$ 218,497

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Statements of Cash Flows

Year ended June 30, 2011

	Hospital	Children's Center	CRMG	Total
Cash flows from operating activities:				
Receipts from and on behalf of patients	$ 212,683,767	$ -	$ 11,835,905	$ 224,519,672
Receipts from other operations	2,809,877	534,782	236,977	3,581,636
Payments to suppliers and contractors	(84,800,194)	(63,003)	(4,255,386)	(89,118,583)
Payments to or on behalf of employees	(104,232,208)	(514,521)	(15,174,266)	(119,920,995)
Net cash provided (used) by operating activities	26,461,242	(42,742)	(7,356,770)	19,061,730
Cash flows from noncapital financing activities:				
Receipts for nonoperating activities	67,039	139	3,246	70,424
Receipts from (payments to) primary enterprise and component units	(8,264,992)	24,282	8,240,710	-
Net cash provided (used) by noncapital financing activities	(8,197,953)	24,421	8,243,956	70,424
Cash flows from capital and related financing activities:				
Capital expenditures	(18,704,114)	-	(51,083)	(18,755,197)
Principal paid on bonds and notes payable	(1,935,757)	-	-	(1,935,757)
Interest paid (net of amount capitalized) on bonds and capital lease obligations	(3,479,400)	-	(3,577)	(3,482,977)
Proceeds from the issuance of debt	30,000,000	-	-	30,000,000
Capitalization of bond issue costs	(172,688)	-	-	(172,688)
Repayment of obligations under capital leases	(25,733)	-	-	(25,733)
Net cash provided (used) by capital and related financing activities	5,682,308	-	(54,660)	5,627,648
Cash flows from investing activities:				
Net decrease in investments	2,394,476	-	-	2,394,476
Income received from investments	299,485	-	-	299,485
Distributions from joint ventures	178,750	-	-	178,750
Net increase in assets limited as to use	(27,190,755)	-	-	(27,190,755)
Net cash used by investing activities	(24,318,044)	-	-	(24,318,044)
Net increase (decrease) in cash and cash equivalents	(372,447)	(18,321)	832,526	441,758
Cash and cash equivalents at beginning of year	2,201,492	32,022	1,100	2,234,614
Cash and cash equivalents at end of year	$ 1,829,045	$ 13,701	$ 833,626	$ 2,676,372

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Statements of Cash Flows, Continued

Year ended June 30, 2011

	Hospital	Children's Center	CRMG	Total
Reconciliation of operating income to net cash provided by operating activities:				
Income from operations	$ 17,607,369	$ (86,366)	$ (7,386,588)	$ 10,134,415
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation and amortization	11,722,850	26,508	77,343	11,826,701
Estimated provision for bad debts	17,214,624	-	890,861	18,105,485
Amortization of bond issuance costs	67,006	-	-	67,006
(Increase) decrease in cash due to changes in:				
Patient accounts receivable, net	(20,163,356)	-	(1,070,840)	(21,234,196)
Inventories	(533,783)	(2)	(1,590)	(535,375)
Prepaid expenses, other receivables, and other assets	(776,101)	21	56,721	(719,359)
Accounts payable	1,750,033	337	(39,521)	1,710,849
Accrued salaries and related liabilities	643,914	13,561	127,187	784,662
Other accrued expenses	611,387	3,199	(10,343)	604,243
Estimated third-party payor settlements	(1,682,701)	-	-	(1,682,701)
Total adjustments	8,853,873	43,624	29,818	8,927,315
Net cash provided (used) by operating activities	$ 26,461,242	$ (42,742)	$ (7,356,770)	$ 19,061,730
Supplemental schedule of noncash investing, capital and financing activities:				
Loss on disposal of equipment	$ 70,619	$ -	$ -	$ 70,619
Decrease in deferred compensation	$ 60,850	$ -	$ -	$ 60,850
Decrease in companion debt instrument	$ 530,497	$ -	$ -	$ 530,497
Increase in deferred outflows (interest rate swap)	$ 304	$ -	$ -	$ 304
Income from joint venture	$ 278,867	$ -	$ -	$ 278,867

See accompanying notes to the financial statements.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Notes to the Financial Statements

June 30, 2012 and 2011

(1) Nature of operations

Cookeville Regional Medical Center Authority (the "Authority") was established by a Private Act of the State of Tennessee legislature during 1999 for the purpose of operating Cookeville Regional Medical Center (the "Medical Center") and all other hospital, clinical and related healthcare facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of the Medical Center as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996 (the "Private Act"). The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City of Cookeville (the "City"), were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City's financial reporting purposes. The Authority consists of the Medical Center and its component units as disclosed below.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999 which specified the arrangements relative to the Private Act. The Private Act which created the Authority was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. In addition, approval of the Cookeville City Council is required for all borrowings and purchase of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

Operations of the Medical Center consist primarily of a 247-bed acute care hospital providing healthcare services in Putnam County, Tennessee. The Medical Center also owns and operates Highland Rim Home Health Agency.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to citizens of Cookeville, Tennessee, Putnam County and surrounding areas.

Blended Component Units: The accompanying financial statements include the accounts of three blended component units at June 30, 2012 and two blended component units at June 30, 2011. The Cookeville Regional Medical Center ("CRMC") Children's Center (the "Children's Center") and Cookeville Regional Medical Group, Inc. (the "CRMG") are component units blended with the Medical Center as the governing bodies are essentially the same. Both entities began operations during the year ended June 30, 2005. The Children's Center was established to provide a quality early childhood program to employees of the Medical Center. The CRMG was established to provide physician services to the City and the surrounding areas. In January 2012, CRMC MSO Sub 1 ("MSO Sub 1") was established to provide cardiology services. The Cookeville Regional Medical Center, Children's Center, CRMG and MSO Sub 1 are collectively referred to as the "Medical Center" in the notes to the financial statements. In March 2012, the former CRMC MSO, Inc. (the "MSO") was formally renamed Cookeville Regional Medical Group ("CRMG").

(2) Summary of significant accounting policies

(a) Basis of accounting

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Medical Center has elected to apply all relevant pronouncements of the Financial Accounting Standards Board ("FASB") and predecessor standard setting organizations, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

(b) Cash and cash equivalents

The Medical Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use and other amounts in short-term investment portfolios, to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposits and money market accounts which are insured by the Federal Deposit Insurance Corporation, state depository insurance funds or multiple financial institution collateral pools, or otherwise collateralized by securities held by the Medical Canter or by its agents in the Medical Center's name. The fair value approximates cost due to the nature of the assets.

(c) Inventories

Inventories consist principally of medical and surgical supplies, general store supplies, pharmacy items and dietary foods and are stated at the lower of cost (first-in, first-out method) or net realizable value.

(d) Investments

Investments consist of short-term repurchase agreements, certificates of deposit, mortgage-backed securities, and United States government obligations. These investments are reported at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The Medical Center generally holds its investments until maturity. The portion of investments related to financial instruments with maturities of less than one year is classified as current assets. Investment income is reported as nonoperating revenue. Any changes in fair market value in the current year are recognized in the statements of revenue, expenses and changes in net assets as a component of investment income.

(e) Assets limited as to use

Assets limited as to use include cash and investments designated by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion use for other purposes.

(f) Derivative instruments

The Medical Center records all derivatives as assets or liabilities on the balance sheets at estimated fair value. The Medical Center's derivative holdings consist of interest rate swap agreements (Note 9). In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap agreement is considered effective, and is classified as a hedging derivative instrument. The changes in the interest rate swap's fair value are recorded on the balance sheet as deferred outflows. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

The Medical Center's objective in using derivatives is to manage the mix of fixed versus variable rate debt.

(g) Property and equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful life of the asset, generally 20 to 40 years for buildings, 5 to 20 years for land improvements and 3 to 20 years for furniture and equipment. Assets under capital leases are included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center has established a capitalization threshold for property and equipment of $5,000, except for computer software and hardware, which has a threshold of $10,000. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of repairs and maintenance are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(h) Investment in joint venture

Investment in a joint venture is accounted for under the equity method of accounting and the Medical Center recognizes its share in the results of the underlying activities of the joint venture.

(i) Bond issuance costs

Costs incurred in issuing bonds and bank loans are being amortized over the term of the related debt using the straight-line method.

(j) Accrual for compensated absences

The Medical Center recognizes an expense and accrues a liability for compensated future employee vacation and other absences in the period in which employees' rights to such compensated absences are earned. Compensated absences consist of paid days off including holidays, vacation, and bereavement days to regular full-time employees. Paid days off are earned based on years of service. Additionally, the Medical Center maintains a separate sick pay benefit for all full-time employees who have met a six-month service requirement, which is included in the accrual for compensated absences. In the past, if an employee reached 55 and completed 5 years of service, one-half of the accumulated hours were paid out as a benefit upon retirement. During 2012, the Medical Center eliminated certain sick pay benefits. As a result, approximately $708,000 was recognized in 2012 as income in the accompanying statements of revenues, expenses and changes in net assets.

(k) Contributed resources

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported as other increases in net assets.

(l) Net patient service revenue/receivables

Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Current operations are charged with an estimated provision for bad debts based upon management's evaluation of collectibility. Such evaluation includes historical experience, aging of the receivables and other factors which affect the collectibility of the receivables. The estimated provision for bad debts is reported as a reduction in net patient service revenue.

The Medical Center's policy does not require collateral or other security for patient accounts receivable. The Medical Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, TennCare, Blue Cross, health maintenance organizations and commercial insurance carriers.

(m) Net assets

Net assets of the Medical Center are classified in three components. *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. For 2012 and 2011, the net assets invested in capital assets, net of related debt excludes the $10,235,074 and $27,190,755, respectively, in debt currently held as assets limited as to use. *Restricted net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets, net of related debt or restricted.* The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012 and 2011, there were no permanently or temporarily restricted net assets.

(n) Operating revenues and expenses

The Medical Center's statements of revenue, expenses and changes in net assets distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services - the Medical Center's principal activity. Nonexchange revenue, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

(o) Charity care

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. These costs are based on the ratio of total costs to gross charges. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.

(p) Income taxes

The Medical Center is classified as an organization exempt from federal income taxes as a quasi-municipal corporation and formerly as an enterprise fund of the City of Cookeville. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(q) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(r) Performance indicator

Excess of revenues over expenses reflected in the accompanying statements of revenues, expenses and changes in net assets is a performance indicator.

(s) New accounting pronouncements

In November 2010, accounting standards relating to the inclusion of component units in the financial reporting entity were amended to require inclusion if a financial benefit or burden is present or if the financial statements would be misleading if excluded. This also amended the criteria for reporting component units as if they are part of the primary government. These amendments are effective for financial statements for fiscal years beginning after June 15, 2012. Therefore the Medical Center expects to adopt these standards at the beginning of fiscal year 2013.

In December 2010, accounting standards relating to the application of FASB Statements that do not contradict GASB pronouncements were amended to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance and to bring all authoritative literature together in one place. These amendments are effective for financial statements for fiscal years beginning after December 15, 2011. Therefore the Medical Center expects to adopt these standards at the beginning of fiscal year 2013.

In March 2012, accounting standards relating to accounting for operating lease payments that vary from a straight-line basis were amended to clarify how to apply GASB Statement 13. These amendments are effective for financial statements for fiscal years beginning after December 15, 2012. Therefore the Medical Center expects to adopt these standards at the beginning of fiscal year 2014.

The Medical Center is currently assessing the impact of adopting these accounting standards.

(t) Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order for them to conform to the 2012 presentation. These reclassifications have no effect on the net assets or the excess of revenues over expenses as previously reported.

(u) Events occurring after reporting date

The Medical Center has evaluated events and transactions that occurred between June 30, 2012 and October 26, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Net patient service revenue and patient accounts receivable

A significant portion of the amount of services provided by the Medical Center is to patients whose bills are paid by third-party payors such as Medicare, TennCare, and private insurance carriers.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the statements of revenues, expenses and changes in net assets is as follows:

	2012	2011
Gross patient service charges	$ 544,380,517	$ 506,579,508
Less: Medicare contractual adjustments	(184,024,759)	(160,063,132)
TennCare contractual adjustments	(41,552,673)	(32,953,894)
Other contractual adjustments	(60,097,024)	(63,268,794)
Bad debts	(20,442,719)	(18,105,464)
Charity Care	(3,035,087)	(2,857,140)
Net patient service revenue	$ 235,228,255	$ 229,331,084

Net patient accounts receivable consists of the following:

	2012	2011
Medicare	$ 14,173,397	$ 11,525,504
TennCare	4,418,434	4,038,709
Blue Cross and commercial	10,657,825	10,459,412
Patients, including self-insured	9,848,847	10,680,532
	39,098,503	36,704,157
Less: allowance for uncollectible accounts	(12,065,579)	(13,729,048)
	$ 27,032,924	$ 22,975,109

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(4) Third-party payor reimbursement programs

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants.

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. In the opinion of management, any adjustments which may result from such audits and reviews will not have a material impact on the financial statements; however, due to the uncertainties involved, it is at least reasonably possible that management's estimates will change in the future. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

The Medical Center contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Net patient service revenue related to Medicare and TennCare was approximately $130,000,000 and $20,000,000, respectively, in 2012 and approximately $125,000,000 and $22,000,000, respectively, in 2011.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

Contractual adjustments under third-party reimbursement programs also include any differences between estimated settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase/(decrease) to revenue of approximately $(1,018,000) and $4,625,000 for the years ended June 30, 2012 and 2011, respectively.

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningfully use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

As a result, the Medical Center recognized income for cash received of approximately $770,000 from Medicaid in 2012. The Medical Center expects to meet the Medicare meaningful use criteria in 2013. The income is reported as other revenue on the accompanying statements of revenue, expenses and changes in net assets.

(5) Investments and assets limited as to use

The Medical Center's investments (including assets limited as to use) are reported at estimated fair value based on quoted market prices. The Medical Center invests in U.S. government agency securities, mortgage-backed securities, certificates of deposit, and short-term repurchase agreements that are in accordance with the Medical Center's investment policy.

The carrying amounts of deposits and investments included in the Medical Center's balance sheets are as follows:

	2012	2011
Carrying amount:		
Cash and cash equivalents	$ 18,352,952	$ 2,676,372
Investments	36,857,610	64,351,858
Total deposits and investments	$ 55,210,562	$ 67,028,230

	2012	2011
Included in the following balance sheet captions:		
Cash and cash equivalents	$ 16,935,962	$ 2,676,372
Short-term investments	5,473,333	21,489,805
Long-term investments	12,566,193	5,671,298
Assets internally designated for capital acquisition	10,000,000	10,000,000
Assets designated by bond indenture agreement	10,235,074	27,190,755
	$ 55,210,562	$ 67,028,230

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Interest rate risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Medical Center's investment policy limits the "average life" or repricing period of the portfolio as a whole to 5.5 years in order to minimize market value fluctuations.

The distribution of the Medical Center's investments and assets limited as to use by maturity as of June 30, 2012 is as follows:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
June 30, 2012					
Undesignated	$ 18,039,526	$ 5,473,333	$ 3,192,608	$ 2,297,364	$ 7,076,221
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Assets designated by bond indenture agreement	10,235,074	10,235,074	-	-	-
Cash and cash equivalents	16,935,962	16,935,962	-	-	-
Total	$ 55,210,562	$ 42,644,369	$ 3,192,608	$ 2,297,364	$ 7,076,221

Credit risk: The Medical Center's investment policy requires that investments be made only in U.S. government securities, U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. The Medical Center has no investment policy that would further limit its investment choices. As of June 30, 2012, the Medical Center had investments with quality ratings by nationally recognized rating agencies (i.e., Moody's Investor Service and Standard and Poor's Rating Agency).

Custodial credit risk: The Medical Center's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Medical Center, and are held by either the counterparty or the counterparty's trust department or agent but not in the Medical Center's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of credit risk: The Medical Center places limits on the portfolio composition of the following investment types: U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. No more than $1,500,000 may be invested in any one security. As of June 30, 2012 and 2011, the Medical Center's investments consist of mortgage-backed securities, all of which are issued by Federal National Mortgage Association, Government National Mortgage Association, or Federal Home Loan Mortgage Corporation, U.S. Treasury securities and certificates of deposit.

Investment income for assets limited as to use and other investments is comprised of the following for the years ended June 30:

	2012	2011
Interest income and realized gain on investments	$ 320,332	$ 366,736
Unrealized gain (loss) on investments	40,315	(21,966)
	$ 360,647	$ 344,770

(6) Property and equipment

The Authority's rights to use of the capital assets of the Medical Center, which belong to the City of Cookeville, are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note 1. A summary of property and equipment and schedule of activity is as follows:

	Balance at June 30, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Land	$ 15,502,882	$ 405,674	$ -	$ -	$ 15,908,556
Land improvements	5,124,713	-	-	-	5,124,713
Building	162,710,679	109,593	-	1,721,854	164,542,126
Automobiles	180,122	-	-	-	180,122
Equipment	59,061,251	4,429,184	(1,018,810)	6,507,451	68,979,076
Equipment under capitalized leases	5,441,584	-	(9,695)	-	5,431,889
	248,021,231	4,944,451	(1,028,505)	8,229,305	260,166,482
Less: allowance for depreciation and amortization:					
Land improvements	1,870,927	231,606	-	-	2,102,533
Building	32,964,980	4,628,501	-	-	37,593,481
Automobiles	180,122	-	-	-	180,122
Equipment	47,002,918	7,142,831	(975,359)	-	53,170,390
Equipment under capitalized leases	5,431,265	10,319	(9,695)	-	5,431,889
	87,450,212	12,013,257	(985,054)	-	98,478,415
Construction in progress	8,353,217	19,951,091	-	(8,229,305)	20,075,003
	$ 168,924,236	$ 12,882,285	$ (43,451)	$ -	$ 181,763,070

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	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Land	$ 13,220,940	$ 2,281,942	$ -	$ -	$ 15,502,882
Land improvements	5,124,713	-	-	-	5,124,713
Building	156,700,102	1,894,475	(266,239)	4,382,341	162,710,679
Automobiles	180,122	-	-	-	180,122
Equipment	54,229,498	4,887,577	(2,320,104)	2,264,280	59,061,251
Equipment under capitalized leases	5,441,584	-	-	-	5,441,584
	234,896,959	9,063,994	(2,586,343)	6,646,621	248,021,231
Less: allowance for depreciation and amortization:					
Land improvements	1,638,458	232,469	-	-	1,870,927
Building	28,704,529	4,526,690	(266,239)	-	32,964,980
Automobiles	178,132	1,990	-	-	180,122
Equipment	42,249,245	7,003,158	(2,249,485)	-	47,002,918
Equipment under capitalized leases	5,368,871	62,394	-	-	5,431,265
	78,139,235	11,826,701	(2,515,724)	-	87,450,212
Construction in progress	5,308,635	9,691,203	-	(6,646,621)	8,353,217
	$ 162,066,359	$ 6,928,496	$ (70,619)	$ -	$ 168,924,236

On July 1, 2011, the Medical Center acquired certain property and equipment from Sleep Solutions of Tennessee, LLC for $250,000 and on January 1, 2012, the Medical Center acquired certain assets of Tennessee Heart, PLLC for approximately $471,000.

Construction in progress at June 30, 2012 consists of construction on the expansion of the Medical Center's operating room, the emergency room, the outpatient imaging center, assets not yet placed in service, and various other construction projects. Estimated costs to complete the projects amount to approximately $6,500,000 at June 30, 2012.

(7) Investment in joint venture

During 2004, the Medical Center entered into a joint venture with an unrelated management company and several physicians to own and operate Upper Cumberland Physicians' Surgery Center (the "Surgery Center") which began operations during the year ended June 30, 2004. The Medical Center has a 50% interest in the venture. The Medical Center recognizes its equity in the income (loss) of the Surgery Center as part of other nonoperating revenue. Condensed financial information for the Surgery Center as of and for the years ended June 30, 2012 and 2011 is as follows (unaudited):

	2012	2011
Assets	$ 2,702,000	$ 2,576,000
Liabilities	$ 1,223,000	$ 973,000
Member's equity	1,479,000	1,603,000
	$ 2,702,000	$ 2,576,000
Medical Center's interest:		
Investment in joint ventures	$ 863,000	$ 943,000
Equity in earnings of joint ventures	$ 218,000	$ 279,000

(8) Long-term debt

The obligations of the Authority with respect to repayment of the City's debt related to the Medical Center facilities are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note 1. A schedule of changes in the Medical Center's bonds and notes payable is as follows:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amounts Due Within One Year
Series 2009 Bonds	$ 29,430,000	$ -	$ (600,000)	$ 28,830,000	$ 630,000
Series 2010-A Bonds	12,346,870	-	(436,650)	11,910,220	466,470
Series 2010-B Bonds	16,648,130	-	(588,350)	16,059,780	628,530
Build America Bonds Series 2010	30,000,000	-	(680,000)	29,320,000	730,000
Companion Instrument (Note 9)	2,745,821	-	(520,355)	2,225,466	509,527
	$ 91,170,821	$ -	$ (2,825,355)	$ 88,345,466	$ 2,964,527

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	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts Due Within One Year
Series 2009 Bonds	$ 30,000,000	$ -	$ (570,000)	$ 29,430,000	$ 600,000
Series 2010-A Bonds	12,775,000	-	(428,130)	12,346,870	436,650
Series 2010-B Bonds	17,225,000	-	(576,870)	16,648,130	588,350
Build America Bonds Series 2010	-	30,000,000	-	30,000,000	680,000
Companion Instrument (Note 9)	3,276,318	-	(530,497)	2,745,821	520,356
Note payable - 6%	360,757	-	(360,757)	-	-
	$ 63,637,075	$ 30,000,000	$ (2,466,254)	$ 91,170,821	$ 2,825,356

During the year ended June 30, 2010, the Medical Center issued $30,000,000 Revenue Refunding Bonds (the Series 2009 Bonds) in order to partially redeem the outstanding balance of the Series 2006 Bonds. Also during 2010, the Medical Center issued $12,775,000 Revenue Refunding Bonds (Series 2010-A) and $17,225,000 Revenue Refunding Bonds (Series 2010-B) (collectively, the Series 2010 Bonds) in order to fully redeem or pay off the then-outstanding balance of the Series 2001 A-2, Series 2001 A-3, and Series 2006 Bonds. The Series 2009 Bonds and Series 2010 Bonds bear interest at a variable rate, equal to the sum of 65% of the sum of the 30-day London Inter-Bank Offering Rate ("LIBOR") plus 2%, plus .25%. The rate was 1.71% and 1.67% at June 30, 2012 and 2011, respectively. The interest rates on the Series 2009 Bonds and Series 2010 Bonds were effectively converted to fixed rates utilizing an interest rate swap agreement (Note 9).

The Series 2009 Bonds and Series 2010 Bonds are subject to prepayment, in whole or in part, for a prepayment price equal to the principal amount to be repaid plus interest accrued, without penalty. Any partial prepayment of the Series 2009 Bonds or Series 2010 Bonds must be made on a prorata basis, and applied to future scheduled principal payments in reverse chronological order.

The Medical Center also issued notes payable to finance certain property and equipment additions. The outstanding balance on the 6% note payable was paid in 2011.

During the year ended June 30, 2011, the Medical Center issued $30,000,000 Build America Bonds Series 2010. The Build America Bonds bear interest at a variable rate, equal to the sum of the 30-day LIBOR plus 1.85%. The rate was 2.09% and 2.04% at June 30, 2012 and 2011, respectively. These Bonds also provide for a refundable tax credit paid to the Medical Center by the Treasury Department and the Internal Revenue Service ("IRS") in an amount equal to 35% of the total coupon interest payable on these taxable bonds. The Medical Center recognizes this refund as a reduction to interest expense in the financial statements.

The debt service requirements at June 30, 2012 related to bonds and notes payable are as follows:

Year	Principal Maturities or Sinking Fund Requirements	Interest
2013	$ 2,964,527	$ 3,419,000
2014	3,152,286	3,309,000
2015	3,313,574	3,190,000
2016	3,436,251	3,066,000
2017	50,308,828	1,768,000
2018 - 2022	5,400,000	2,395,000
2023 - 2027	6,710,000	1,754,000
2028 - 2032	8,250,000	962,000
2033 - 2035	4,810,000	135,000
	$ 88,345,466	$ 19,998,000

Interest amounts for the Series 2009 Bonds and Series 2010 Bonds included in the table above are based on current rates in effect at June 30, 2012 and the effect of the interest rate swap agreement (Note 9).

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. Management has concluded that the Medical Center is in compliance with all such covenants at June 30, 2012.

(9) Derivative instruments

During 2010, the Medical Center entered into a pay fixed/receive floating interest rate swap transaction with a $60,000,000 notional amount. The interest rate swap was entered as a cash flow hedge to manage the interest rate risk associated with the Medical Center's Series 2009 Bonds and Series 2010 Bonds (Note 8). As a part of this transaction, the Medical Center received an up-front payment of $3,410,000 in the form of a borrowing from the counterparty, which was used to terminate interest rate swaps previously held. As a result, the fixed rate on the interest rate swap was adjusted to account for this borrowing. This off-market interest rate swap is therefore considered a hybrid instrument, composed of the borrowing (the "Companion Instrument") and an interest rate swap. The Companion Instrument is recorded as debt for financial reporting purposes at its amortized historical cost (Note 8). Amortization of the Companion Instrument is reported as a reduction of interest expense in the financial statements.

Through a Novation Agreement, the rights and obligations for $20,000,000 of the $60,000,000 notional amount were transferred to a second counterparty.

A summary of the interest rate swap is as follows:

Variable rate payers:	Fifth Third Bank First Tennessee Bank, N.A.
Term:	March 1, 2010 - December 30, 2016
Fixed rate:	3.43%
Variable rate:	65% of USD-LIBOR-BBA

This interest rate swap agreement was determined to be effective by utilizing an approved method as outlined in GASB Statement No. 53. The third party valuation of the swap value was a liability of $4,934,572 and $3,453,886 as of June 30, 2012 and 2011, respectively, and was accounted for in the balance sheet with the proper offsetting deferred outflow in accordance with GASB statement No. 53.

Credit risk: As described above, the Medical Center's interest rate swap is held by Fifth Third Bank and First Tennessee Bank, N.A. The credit rating for each of these counterparties was Baa1 (Moody's) at June 30, 2012.

Termination risk: The Medical Center or its counterparties may terminate the interest rate swap agreement if the other party fails to perform under the terms of the contract. If at the time of termination a derivative instrument is in a liability position, the Medical Center would be liable to the counterparties for a payment equal to the liability.

Rollover risk: The Medical Center is exposed to rollover risk on the interest rate swap. If the swap terminates prior to the maturity of the debt, the Medical Center will be re-exposed to the risks being hedged by the interest rate swap.

Net receipts and payments on the interest rate swap are presented in Note 8 with the Medical Center's aggregate debt service requirements.

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(10) Leases

The Medical Center leases equipment and office space under capital and operating lease agreements. Future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2012 are as follows:

Year	Operating Leases
2013	$ 698,396
2014	513,454
2015	328,418
2016	301,212
2017	169,677
2018 and later years	88,021
Total future minimum lease payments	$ 2,099,178

Total rental expense was $1,560,863 and $1,375,096 for the years ended June 30, 2012 and 2011, respectively.

A schedule of changes in the Medical Center's capital leases is as follows:

	2012	2011
Balance at beginning of year	$ 14,130	$ 39,863
Reductions	(14,130)	(25,733)
Balance at end of year	$ -	$ 14,130
Current portion of capital lease obligations	$ -	$ 14,130

(11) Pension plans

Employees of the Medical Center are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after 5 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Medical Center participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

The Medical Center is a political subdivision of the City. The Medical Center's funding policy and schedule of pension plan funding progress have not been included within the financial statements as these amounts are aggregated with the City. The City of Cookeville Annual Financial Report should be read to obtain the aggregated information related to funding policy and schedule of pension plan funding progress. For the years ended June 30, 2012 and 2011, the Medical Center's annual pension costs were approximately $3,910,000 and $4,100,000, respectively.

Prior to July 1, 2006, the Medical Center offered one retirement option, the PSPP. Effective July 1, 2006, the Medical Center offered two retirement options to those employees who were hired on or before June 30, 2006, the PSPP and a 401(k) noncontributory plan. The Medical Center ceased to offer the PSPP for employees hired by the Medical Center on or after July 1, 2006. Those employees that were hired by the Medical Center on or before June 30, 2006, were given a choice to continue participation in the PSPP or begin participating in the new noncontributory retirement plan in which the Medical Center contributes up to 7.0% of annual covered payroll.

Additionally, the Medical Center offers its employees participation in a 401(k) Profit Sharing Plan. The Plan administrator maintains the records of the trust which holds all investments of the Plan. The Plan is a defined contribution plan covering all employees who have completed six months of service.

The Medical Center's contributions to the 401(k) noncontributory and profit sharing plans for the years ended June 30, 2012 and 2011 were $1,929,758 and $1,729,104, respectively.

(12) Other receivables

Other current and long-term receivables at June 30, 2012 and 2011 include $803,382 and $1,429,633, respectively, in receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments.

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COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)

Notes to the Financial Statements

June 30, 2012 and 2011

(13) Commitments and contingencies

Insurance

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of counsel for the Medical Center, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act ($300,000 for bodily injury or death of any one person and $700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

During 2003, the Medical Center became self-insured due to the fact that their professional liability carrier became insolvent. There are known incidents occurring through June 30, 2012 that have resulted in the assertion of claims, although other claims may be asserted, arising from services provided to patients in the past. Management of the Medical Center is of the opinion that such liability, if any, related to these asserted claims will not have a material effect on the Medical Center's financial position. No amounts have been accrued for potential losses related to unreported incidents, or reported incidents which have not yet resulted in asserted claims as the Medical Center is not able to estimate such amounts.

Compliance with such laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Medical Center is self-insured for medical and other healthcare benefits provided to its employees and their families. The Medical Center maintains reinsurance through a commercial excess coverage policy which covers annual health claims in excess of $160,000 per employee with an unlimited lifetime reimbursement. Contributions by the Medical Center and participating employees are based on actual claims experience. Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported based on historical experience. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other factors. The amount of the estimated claim liabilities was $1,630,155 and $1,380,144 at June 30, 2012 and 2011, respectively. Total expenses under this program amounted to approximately $9,800,000 and $8,850,000 for the years ended June 30, 2012 and 2011, respectively.

The Medical Center is also self-insured for workers' compensation with umbrella coverage in excess of $500,000 per case up to an aggregate of approximately $1,000,000. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2012 and 2011, approximately $1,225,000 and $1,151,000, respectively, was accrued and included in other accrued expense on the balance sheets for estimated claims incurred but not reported.

Physician Employment Commitments

During 2012 certain physicians were offered employment agreements with the Medical Center. Under such agreements, the Medical Center is required to pay annual compensation to these physicians. These agreements are typically for 5 years. Future minimum compensation commitments under employment agreements at June 30, 2012, are as follows:

Year	
2013	$ 2,920,000
2014	2,950,000
2015	2,950,000
2016	2,630,000
2017	1,300,000
	$ 12,750,000

Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and, most recently under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit at this time.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Medical Center's operations.

(14) Related party transactions

Other related party transactions with the City of Cookeville include payments in lieu of taxes of $700,000 during each of the years ended June 30, 2012 and 2011 and contributions of $560,391 during the year ended June 30, 2012. Operating expenses also include $3,558,735 and $3,489,280 in 2012 and 2011, respectively, for the purchase of utilities.

(15) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3).

(a) Financial assets

The carrying amount of financial assets, consisting of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and current portions of long-term debt and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term debt and capital lease obligations are carried at amortized cost, which approximates fair value. While approximately $13,850,000 and $14,500,000 of the Medical Center's investments and assets whose use is limited are cash equivalents as of June 30, 2012 and 2011, respectively, the Medical Center has approximately $14,200,000 and $22,700,000 in certificates of deposit and mortgage backed securities as of June 30, 2012 and 2011, respectively, that would be classified as Level 2 under the hierarchy in the preceding paragraph.

(b) Non-financial assets

The Medical Center's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Medical Center is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2012 and 2011, there were no triggering events that prompted an asset impairment test of the Medical Center's non-financial assets. Interest rate swaps are considered Level 3 fair value measurements. The estimated fair value of the interest rate swap liability as of June 30, 2012 and 2011 was $4,934,572 and $3,453,886, respectively. The interest rate swap liability increased by $1,480,686 and $304 during June 30, 2012 and 2011, respectively, and is reflected in the accompanying financial statements. See Note 9.

(16) Functional expenses

The following is a summary of management's functional classification of operating expenses:

	2012	2011
Healthcare services	$ 167,805,656	$ 162,408,751
General and administrative	63,939,461	60,369,554
	$ 231,745,117	$ 222,778,305

(17) Subsequent event

In August 2012, the Medical Center purchased certain assets and liabilities of Cumberland River Hospital, Inc. for total consideration of $6,275,995 in cash. The Medical Center also paid approximately $26,000 in direct costs associated with the transaction. This transaction has been accounted for as an acquisition and, accordingly, the purchase price was allocated to the assets and liabilities acquired, based upon the fair value of the assets and liabilities at the date of acquisition, as follows:

Cash	$ 241,997
Patient receivables	1,472,108
Other receivables	9,901
Prepaid expenses	73,874
Inventories	153,517
Meaningful use funds receivable, net	2,774,783
Property and equipment	3,929,217
Accounts payable and accrued expenses	(2,128,587)
Capital lease obligation	(250,815)
	$ 6,275,995

The asset purchase agreement includes a ninety day working capital settlement. Management is currently in negotiations with the sellers regarding the working capital settlement and does not expect the settlement to result in a material adjustment to the purchase price allocation.

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees of
Cookeville Regional Medical Center Authority
Cookeville, Tennessee:

We have audited the financial statements of the business-type activities and each major fund of Cookeville Regional Medical Center Authority (Cookeville Regional Medical Center and Affiliates) (the "Medical Center") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Medical Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Medical Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that would be required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the Medical Center in a separate letter dated October 26, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Tennessee Comptroller of the Treasury, Department of Audit and is not intended to be and should not be used by anyone other than these specified parties.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
October 26, 2012

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C.10 ECONOMIC FEASIBILITY

Cookeville Regional Medical Center
Operating and Utilization Statistics

MARCH 2013

Financial Indicators	CURRENT MONTH Actual	Prior Year	Budget	Prior Year Variance Percent	Budget Variance Percent	YEAR-TO-DATE Actual	Prior Year	Budget	Prior Year Variance Percent	Budget Variance Percent
INPATIENT ADMISSION	1,038	1,099	1,261	-5.55%	-17.69%	9,530	10,026	11,505	-4.95%	-17.17%
ADJUSTED ADMISSION (AA)	2,151	2,186	2,446	-1.59%	-12.05%	19,365	18,981	22,118	2.03%	-12.44%
INPATIENT CENSUS	5,037	5,264	5,361	-4.31%	-6.04%	44,989	46,075	47,403	-2.36%	-5.09%
AVERAGE LENGTH OF STAY (ALOS)	4.85	4.79	4.25	1.31%	14.15%	4.72	4.60	4.12	2.72%	14.58%
AVERAGE DAILY CENSUS (ADC)	162	170	173	-4.31%	-6.04%	164	168	173	-2.36%	-5.09%
SURGICAL CASES	613	639	642	-4.07%	-4.52%	5,742	5,921	5,949	-3.02%	-3.48%
OUTPATIENT VISITS	11,985	11,989	9,463	-0.03%	26.65%	107,344	105,483	82,284	1.76%	30.46%
EMERGENCY & CLINIC VISITS	4,283	4,232	4,055	1.21%	5.61%	38,166	37,018	37,737	3.10%	1.14%
HOME HEALTH ADMITS	28	41	40	-31.71%	-30.00%	334	334	360	0.00%	-7.22%
DELIVERIES	130	136	135	-4.41%	-3.70%	1,206	1,160	1,171	3.97%	2.99%
CATH LAB CASES	220	289	257	-23.88%	-14.40%	2,318	2,255	2,323	2.79%	-0.22%
TOTAL CASE MIX INDEX	1.58	1.49		5.85%		1.60	1.42		12.86%	
OPERATING REVENUE % GROSS REVENUE	49.45	46.84	47.97	5.56%	3.08%	48.04	48.61	48.23	-1.18%	-0.39%
NET REVENUE/AA	9,326.41	9,208.81	9,263.04	1.28%	0.68%	9,312.78	9,488.67	9,156.89	-1.85%	1.70%
CONTRACTUALS % PATIENT REVENUE	52.38	52.26	51.61	0.23%	1.49%	52.80	50.95	51.33	3.64%	2.86%
NET DAYS IN AR	40.52	52.66		-23.06%		40.52	52.66		-23.06%	
MEDICARE % OF ADMISSIONS	60.79	60.51		0.46%		59.85	58.72		1.93%	
TENNCARE % OF ADMISSIONS	14.45	13.10		10.29%		15.48	13.19		17.38%	
MEDICARE CASE MIX INDEX	1.73	1.70		1.42%		1.72	1.65		4.43%	
MEDICARE ALOS	5.55	5.35		3.67%		5.24	5.32		-1.44%	
HOSPITAL BASED FTES	1,697	1,635	1,672	3.79%	1.45%	1,657	1,645	1,682	0.72%	-1.47%
CONTRACT LABOR FTES	34	37	-	-8.52%	100.00%	33	36	-	-7.80%	100.00%
TOTAL FTES	1,730	1,671	1,672	3.52%	3.46%	1,690	1,681	1,682	0.54%	0.52%
TOTAL MANHOURS	306,259	295,847	296,007	3.52%	3.46%	2,643,533	2,629,433	2,629,911	0.54%	0.52%
EMPLOYEES PER OCCUPIED BED (EEOB)	4.92	4.62	5.75	6.56%	-14.45%	4.85	5.00	5.75	-3.07%	-15.64%
MANHOURS/APD	28.09	26.36	28.47	6.56%	-1.35%	27.69	28.56	28.86	-3.07%	-4.06%
MANHOURS/AA	142.38	135.36	121.03	5.19%	17.64%	136.51	138.53	118.90	-1.46%	14.80%
SALARY DOLLARS	7,598,752	7,201,796	8,577,727	5.51%	-11.41%	64,762,274	65,950,815	76,096,367	-1.80%	-14.89%
BENEFIT DOLLARS	1,915,984	1,725,178	1,996,906	11.06%	-4.05%	15,294,047	15,765,291	17,734,140	-2.99%	-13.76%
SALARY & BENEFITS % OPERATING REVENUE	45.56	43.42	46.00	4.94%	-0.95%	42.86	44.65	45.67	-4.02%	-6.15%
SALARY & BENEFITS/AA	4,423.55	4,084.44	4,323.84	8.30%	2.31%	4,133.99	4,305.21	4 242.31	-3.98%	-2.55%
SUPPLY EXPENSE % OPERATING REVENUE	19.68	22.80	19.00	-13.69%	3.59%	21.56	21.30	19.00	1.22%	13.45%
SUPPLY EXPENSE /AA	1,910.93	2,145.38	1,950.00	-10.93%	-2.00%	2,079.32	2,053.29	1 950.00	1.27%	6.63%
BAD DEBTS % OPERATING REVENUE	6.29	7.54	7.95	-16.56%	-20.87%	8.37	7.80	8.01	7.29%	4.47%
OPERATING EXPENSES % OPERATING REVENUE	92.05	92.89	95.04	-0.91%	-3.15%	92.63	94.82	95.32	-2.30%	-2.82%
OPERATING EXPENSES / AA	8,937.05	8,738.67	8,933.69	2.27%	0.04%	8,935.62	9,142.14	8,855.54	-2.26%	0.90%
CASH % NET REVENUE, 60 DAYS PRIOR	0.88	0.94		-6.69%		0.88				
THE RATIO	0.92	(0.09)		1106.91%		2.35	(1.68)		240.09%	
OPERATING MARGIN	8.28	7.26	5.03	13.96%	64.48%	7.63	5.27	4.74	44.85%	60.83%

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COOKEVILLE REGIONAL MEDICAL CENTER
COMPARATIVE BALANCE SHEET
March 31, 2013

	CURRENT MONTH	PREVIOUS MONTH	% CHANGE
CURRENT ASSETS			
CASH ON HAND AND IN BANK	$11,531,985	$8,974,599	28%
MEDICAL STAFF FUND CASH	2,611	2,610	0%
TEMPORARY INVESTMENTS	20,940,665	20,941,291	0%
TEMPORARY INVESTMENTS-RESTRICTED	10,000,000	10,000,000	0%
2010 BUILD AMERICA BONDS CAPITAL FUNDS	7,608,681	8,752,056	-13%
TOTAL CASH	$50,083,942	$48,670,556	3%
ACCOUNTS RECEIVABLE	41,814,871	44,201,664	-5%
LESS: RESERVE FOR UNCOLLECTABLES	(23,903,959)	(26,135,669)	-9%
TOTAL ACCOUNTS RECEIVABLE	$17,910,912	$18,065,995	-1%
INVENTORIES	6,476,895	6,578,373	-2%
PREPAID EXPENSES	2,865,781	2,590,020	11%
OTHER ASSETS	25,951,040	25,355,516	2%
TOTAL CURRENT ASSETS	$103,288,570	$101,260,460	2%
FIXED ASSETS			
LAND	21,033,269	21,033,269	0%
BUILDING	187,124,421	186,373,571	0%
EQUIPMENT	73,816,360	73,449,343	0%
LEASED EQUIPMENT-CAPITAL LEASE	5,431,889	5,431,889	0%
LESS: ACCUMULATED DEPRECIATION	(106,992,991)	(106,026,640)	1%
TOTAL FIXED ASSETS	$180,412,948	$180,261,432	0%
BOND ISSUE COSTS	391,431	397,265	-1%
DEFERRED OUTFLOWS INTEREST RATE SWAP	4,933,532	4,934,572	0%
LONG-TERM RECEIVABLES	1,351,832	1,330,455	2%
OTHER ASSETS	(11,570,230)	(10,356,376)	12%
TOTAL ASSETS	**$278,808,083**	**$277,827,808**	**0%**
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	4,615,678	4,036,586	14%
MEDICAL STAFF FUND	2,574	2,574	0%
CURRENT PORTION OF LONG-TERM DEBT	2,455,000	2,455,000	0%
SALARIES, WAGES, & FEES PAYABLE	7,248,139	6,417,303	13%
OTHER LIABILITIES	4,930,685	4,863,478	1%
TOTAL CURRENT LIABILITIES	$19,252,076	$17,774,941	8%
LONG-TERM LIABILITIES			
REVENUE BONDS PAYABLE	88,735,038	89,635,038	-1%
TOTAL LONG TERM LIABILITIES	$88,735,038	$89,635,038	-1%
TOTAL LIABILITIES	$107,987,114	$107,409,979	1%
CAPITAL			
CONTRIBUTED CAPITAL	5,415,553	5,415,553	0%
RETAINED EARNINGS	160,556,146	160,556,146	0%
NET INCOME YEAR-TO DATE	4,849,269	4,446,130	9%
TOTAL CAPITAL	$170,820,968	$170,417,829	0%
TOTAL LIABILITIES AND CAPITAL	**$278,808,082**	**$277,827,808**	**0%**

COOKEVILLE REGIONAL MEDICAL CENTER
INCOME STATEMENT
FOR THE MONTH ENDED MARCH 31, 2013

	THIS YEAR	% E/R	LAST YEAR	% E/R	BUDGET	% E/R	% TY/LY	% TY/BUD
GROSS PATIENT SERVICE REVENUE:								
TOTAL INPATIENT SERVICES	$20,381,297		$22,070,894		$24,712,277		-8%	-18%
TOTAL OUTPATIENT SERVICES	21,852,529		21,821,944		23,210,904		0%	-6%
TOTAL GROSS PATIENT REVENUE	$42,233,826		$43,892,838		$47,923,181		-4%	-12%
DEDUCTIONS FROM REVENUE:								
CONTRACTUAL ADJUSTMENTS	$22,121,126		$22,936,805		$24,731,971		-4%	-11%
CHARITY CARE	52,255		829,219		536,963		-94%	-90%
TOTAL DEDUCTIONS FROM REVENUE	$22,173,381		$23,766,024		$25,268,934		-7%	-12%
NET PATIENT SERVICE REVENUE	$20,060,445		$20,126,814		$22,654,247		0%	-11%
OTHER NON-PATIENT REVENUE	823,026		434,448		334,618		89%	146%
TOTAL OPERATING REVENUE	$20,883,471	100%	$20,561,262	100%	$22,988,865	100%	2%	-9%
EXPENSES:								
SALARIES AND WAGES	$7,598,752	36%	$7,201,796	35%	$8,577,727	37%	6%	-11%
EMPLOYEE BENEFITS	1,915,984	9%	1,725,178	8%	1,996,906	9%	11%	-4%
CONTRACT LABOR	499,451	2%	477,744	2%	534,391	2%	5%	-7%
PURCHASED SERVICES-PHYSICIAN	332,765	2%	408,773	2%	177,749	1%	-19%	87%
PURCHASED SERVICES-OTHER	680,221	3%	603,788	3%	743,748	3%	13%	-9%
SUPPLIES	4,110,269	20%	4,688,946	23%	4,950,365	22%	-12%	-17%
UTILITIES	272,173	1%	190,869	1%	352,107	2%	43%	-23%
REPAIRS AND MAINTENANCE	538,709	3%	529,538	3%	607,762	3%	2%	-11%
LEASES AND RENTALS	96,452	0%	93,153	0%	94,504	0%	4%	2%
INSURANCE	76,662	0%	83,354	0%	95,844	0%	-8%	-20%
INTEREST	302,089	1%	311,593	2%	276,032	1%	-3%	9%
BAD DEBTS	1,314,178	6%	1,550,627	8%	1,828,131	8%	-15%	-28%
DEPRECIATION AND AMORTIZATION	956,409	5%	952,047	5%	1,159,265	5%	0%	-17%
OTHER EXPENSE	526,836	3%	281,859	1%	454,221	2%	88%	16%
TOTAL OPERATING EXPENSE	$19,222,950	92%	$19,099,265	93%	$21,848,752	95%	1%	-12%
NET OPERATING INCOME (LOSS)	$1,660,521	8%	$1,461,997	7%	$1,140,113	5%	14%	46%
NON-OPERATING INCOME & EXPENSES:								
INTEREST AND CONTRIBUTIONS	9,628	0%	2,402	0%	21,243	0%	301%	-55%
CONTRIBUTED CAPITAL	5,101	0%	0	0%	0	0%	0%	0%
PAYMENTS IN LIEU OF TAXES	(58,333)	0%	(58,333)	0%	(59,482)	0%	0%	2%
GAIN/LOSS INVESTMENTS/DISPOSALS	75	0%	0	0%	0	0%	0%	100%
GAIN/LOSS OTHER CORPS/JOINT VENTURE	(1,213,854)	-6%	(916,468)	-4%	(542,615)	-2%	-32%	-69%
NET INCOME	$403,138	2%	$489,598	2%	$559,259	2%	-18%	-28%

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COOKEVILLE REGIONAL MEDICAL CENTER

INCOME STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	THIS YEAR	% E/R	LAST YEAR	% E/R	BUDGET	% E/R	% TY/LY	% TY/BUD
GROSS PATIENT SERVICE REVENUE:								
TOTAL INPATIENT SERVICES	$191,360,448		$198,849,333		$221,629,736		-4%	-14%
TOTAL OUTPATIENT SERVICES	197,492,169		177,602,617		204,435,744		11%	-3%
TOTAL GROSS PATIENT REVENUE	$388,852,617		$376,451,950		$426,065,480		3%	-9%
DEDUCTIONS FROM REVENUE:								
CONTRACTUAL ADJUSTMENTS	$205,314,830		$191,785,296		$218,702,735		7%	-6%
CHARITY CARE	3,192,293		4,564,611		4,832,665		-30%	-34%
TOTAL DEDUCTIONS FROM REVENUE	$208,507,123		$196,349,907		$223,535,400		6%	-7%
NET PATIENT SERVICE REVENUE	$180,345,494		$180,102,043		$202,530,080		0%	-11%
OTHER NON-PATIENT REVENUE	6,454,062		2,907,492		2,941,477		122%	119%
TOTAL OPERATING REVENUE	$186,799,556	100%	$183,009,535	100%	$205,471,557	100%	2%	-9%
EXPENSES:								
SALARIES AND WAGES	$64,762,274	35%	$65,950,815	36%	$76,096,367	37%	-2%	-15%
EMPLOYEE BENEFITS	15,294,047	8%	15,765,291	9%	17,734,140	9%	-3%	-14%
CONTRACT LABOR	3,822,403	2%	4,170,088	2%	4,766,120	2%	-8%	-20%
PURCHASED SERVICES-PHYSICIAN	3,010,491	2%	5,077,882	3%	1,543,892	1%	-41%	95%
PURCHASED SERVICES-OTHER	5,879,271	3%	5,581,503	3%	7,676,989	4%	5%	-23%
SUPPLIES	40,266,747	22%	38,972,938	21%	44,451,104	22%	3%	-9%
UTILITIES	2,645,444	1%	2,599,797	1%	3,119,523	2%	2%	-15%
REPAIRS AND MAINTENANCE	5,456,935	3%	4,694,661	3%	5,392,187	3%	16%	1%
LEASES AND RENTALS	845,921	0%	750,688	0%	851,551	0%	13%	-1%
INSURANCE	741,435	0%	737,003	0%	846,644	0%	1%	-12%
INTEREST	2,539,180	1%	2,571,561	1%	2,439,063	1%	-1%	4%
BAD DEBTS	15,625,913	8%	14,268,058	8%	16,453,176	8%	10%	-5%
DEPRECIATION AND AMORTIZATION	8,788,926	5%	8,788,361	5%	10,137,307	5%	0%	-13%
OTHER EXPENSE	3,362,578	2%	3,595,889	2%	4,356,798	2%	-6%	-23%
TOTAL OPERATING EXPENSE	$173,041,565	93%	$173,524,535	95%	$195,864,861	95%	0%	-12%
NET OPERATING INCOME (LOSS)	$13,757,991	7%	$9,485,000	5%	$9,606,696	5%	45%	43%
NON-OPERATING INCOME & EXPENSES:								
INTEREST AND CONTRIBUTIONS	40,969	0%	153,483	0%	187,708	0%	-73%	-78%
CONTRIBUTED CAPITAL	64,331	0%	0	0%	0	0%	0%	0%
PAYMENTS IN LIEU OF TAXES	(525,000)	0%	(525,000)	0%	(525,588)	0%	0%	0%
GAIN/LOSS INVESTMENTS/DISPOSALS	156,267	0%	85,009	0%	0	0%	84%	100%
GAIN/LOSS OTHER CORPS/JOINT VENTURE	(8,645,292)	-5%	(5,328,200)	-3%	(4,796,016)	-2%	-62%	-11%
NET INCOME	$4,849,266	3%	$3,870,292	2%	$4,472,800	2%	25%	8%

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COOKEVILLE REGIONAL MEDICAL CENTER
STATEMENT OF CASH FLOWS
For the Nine Months Ending March 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME YEAR-TO-DATE		$4,849,268
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED FROM OPERATIONS:		
DEPRECIATION AND AMORTIZATION	$8,862,449	
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	(1,530,977)	
CHANGE IN PATIENT A/R & THIRD PARTY SETTLEMENTS	3,135,176	
CHANGE IN OTHER ASSETS	(7,541,986)	
CHANGE IN INVENTORIES	(339,345)	
CHANGE IN PREPAID EXPENSES	(462,741)	
CHANGE IN ACCOUNTS PAYABLE	(3,509,920)	
CHANGE IN ACCRUED SALARIES, INTEREST, OTHER	2,917,901	
TOTAL ADJUSTMENTS TO NET INCOME		$1,530,557
NET CASH PROVIDED BY OPERATING ACTIVITIES		$6,379,825
CASH FLOWS FROM INVESTING ACTIVITIES		
IMPROVEMENTS TO BUILDING AND FIXED EQUIPMENT	(5,947,387)	
ADDITIONS TO MOVABLE EQUIPMENT	(2,632,649)	
NET CASH USED BY INVESTING ACTIVITITES		($8,580,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
CHANGE IN LONG-TERM RECEIVABLES	(472,299)	
CHANGE IN BONDS	(2,089,998)	
NET CASH USED BY FINANCING ACTIVITIES		($2,562,297)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS		**($4,762,508)**
CASH & TEMPORARY INVESTMENTS AT 6/30/12		$54,846,450
CASH & TEMPORARY INVESTMENTS AT MONTH END		$50,083,942

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TAB 27

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	COMPLETED
	TNP53195	A. BUILDING 01 - MAIN BUILDING B. WING	03/21/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 872	1200-8-1-.08 (2) Building Standards (2) The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured. This Statute is not met as evidenced by: Surveyor: 16862 Based on inspection and observation, it was determined, the facility failed to maintain the physical environment for the well -being of the patients and staff as required by the Standard Regulation 1200-8-1-08(2). The findings included: On 03-21-2007 at approximately 11:15 AM during inspection within the service hall area, observation revealed, there were two penetrations in the concrete ceiling above the conduit pipes. NFPA 101, 8.5.5.1.	H 872	See attachment D07A-H872	3-22-07
H 893	1200-8-1-.08 (23) Building Standards. (23) A negative air pressure shall be maintained in the soiled utility area, toilet room, janitor ' s closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms. This Statute is not met as evidenced by: Surveyor: 16862 Based on inspection and observation, it was determined, the facility failed to maintain the Heating, Ventilation and the Air-conditioning system as required by the Standard Regulation	H 893		

C.7(d) CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING 01 - MAIN BUILDING B. WING _____	03/21/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 893	Continued From page 1 1200-8-1-08(23) and the NFPA 90A; 90B-4 and the NFPA 101, 19.5.2.1. The findings included: On 03-21-2007 at approximately 11:15 AM during inspection within the dietary dish washing area, observation revealed the air-return grille was very dusty. During inspection within the laboratory area, observation in the storage revealed, the air-return grille was dusty. Inspection and observation within the lobby bathroom revealed, the exhaust fan grille was dusty.	H 893	See attachment D07B See attachment D07C See attachment D07C	4-3-07 4-3-07
H 951	1200-8-1-.09 (1) Life Safety (1) Any hospital which complies with the required applicable building and fire safety regulations at the time the board adopts new codes or regulations will, so long as such compliance is maintained (either with or without waivers of specific provisions), be considered to be in compliance with the requirements of the new codes or regulations. This Statute is not met as evidenced by: Surveyor: 16862 Based on inspection and observation, it was determined, the facility failed to comply with the applicable building and life safety regulations as required by the Standard Regulation 1200-8-1-09(1) and the NFPA 10, 1.6.12. The findings included:	H 951		

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING 01 - MAIN BUILDING B. WING _____	03/21/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 951	Continued From page 2 On 03-21-2--7 at approximately 12:45 PM during inspection within the laboratory area, observation revealed, the portable fire extinguisher was blocked with a cart. Based on inspection and observation, it was determined, the facility failed to comply with applicable building and fire safety regulation as required by the Standard Regulation 1200-8-1-09(2) and the NFPA 70, 110-13(a); 70, 210-8(a)(5); 70, 240-5; 70, 373-4; 70, 410-56(d). The findings included: On 03-21-2007 at approximately 12:30 PM during inspectionism of the within the 4 West Nurses Station, observation revealed a loosely hanging surge protector under the desk. Violation of the NFPA 70, 110-13(a). During inspection within the laboratory, observation revealed electric outlets next to sinks were not Ground Fault Current Interrupters. NFPA 70, 210-8(a)(5). Observation within the laboratory pathology area, revealed the use of an extension cord. NFPA 70, 240-5. During inspection within the 3rd floor electrical room area, observation revealed two electric outlets without any face plates. NFPA 70, 373-4. During inspection within the first floor service hall area, observation in the ceiling revealed there were two junction boxes with live wires and no covers plates.	H 951	See attachment D07A-H951-A See attachment D07A-H951-B See attachment D07A-H951-C See attachment D07A-H951-D See attachment D07A-H951-E See attachment D07A-H951-F	3-22-07 3-22-07 4-06-07 3-22-07 3-22-07 3-22-07

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING 01 - MAIN BUILDING B. WING _____	03/21/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 951	Continued From page 3 Inspection within the 4th floor mechanical room revealed two electric junction boxes without cover plates on them. NFPA 70, 410-56(d).	H 951	See attachment D07A-H951-G	3-22-07

D07A

PLAN OF CORRECTION
Plant Facilities/Safety
State Inspection March 22, 2007

H 872

1. All penetrations shall be properly sealed.
2. Plant Facilities personnel will correct this problem.
3. This problem was corrected on 3/22/07.
4. This issue will be addressed by requiring above the ceiling permits for all vendors needing penetrations and by an annual Fire & Smoke Wall inspection. This will be an inspection point for Hazardous Surveillance rounds.

H951 – A

1. The cart will be moved from in front of the fire extinguisher.
2. Safety Coordinator will correct this problem.
3. This problem was corrected on 3/22/07.
4. This issue will be addressed at the next monthly Lab Department meeting and will also be an inspection point during Hazardous Surveillance rounds.

H 951 – B

1. The surge protector will be properly secured.
2. Plant Facilities personnel will correct this problem.
3. This problem was corrected on 3/22/07.
4. The issue will be addressed in a Department meeting and will also be an inspection point on Hazardous Surveillance rounds.

H 951 – C

1. Ground Fault Current Interrupters will protect all electrical circuits in question.
2. Plant Facilities personnel will correct this problem.
3. This problem will be corrected on or before 4/06/07.
4. This issue will be noted as being non-compliant due to a code change. This will be an inspection point for Hazardous Surveillance rounds.

D07A

PLAN OF CORRECTION
Plant Facilities/Safety
State Inspection March 22, 2007

H 951 – D

1. Extension Cord will be removed from office and replaced with surge protector strip.
2. Safety Coordinator will correct this problem.
3. This problem was corrected on 3/22/07.
4. This issue will be addressed at the next monthly Lab Department meeting and will also be an inspection point during Hazardous Surveillance rounds.

H 951 – E

1. All electrical outlets shall have the proper face plates installed.
2. Plant Facilities personnel will correct this problem
3. This problem was corrected on 3/22/07.
4. This issue will be an inspection point for Hazardous Surveillance rounds.

H 951 – F

1. All electrical junction boxes shall have the proper box covers installed.
2. Plant Facilities personnel will correct the problem
3. This problem was corrected on 3/22/07
4. This issue will be an inspection point for Hazardous Surveillance rounds.

H 951 – G

1. All electrical junction boxes shall have the proper box covers installed.
2. Plant Facilities personnel will correct this problem.
3. This problem was corrected on 3/22/07
4. This issue will be an inspection point for Hazardous Surveillance rounds.

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING _____ B. WING _____	03/22/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 404	1200-8-1-.04 (4) Administration (4) Whenever the rules and regulations of this chapter require that a licensee develop a written policy, plan, procedure, technique, or system concerning a subject, the licensee shall develop the required policy, maintain it and adhere to its provisions. A hospital which violates a required policy also violates the rule and regulation establishing the requirement. This Statute is not met as evidenced by: Based on observation, interview, and policy review, it was determined that the facility failed to follow the established protocol to ensure the integrity of the pediatric crash cart. The findings included: Observation of the 5th floor, west wing pediatric crash cart on March 21, 2007 at 3:20 PM revealed two inoperable laryngoscope handles with battery leakage and white corrosion matter located at the bottom of each of the handles. The findings were confirmed in an interview with the Director of the unit at the time of the observation. Review of the facility Patient Care policy entitled, "Code 99," on March 22, 2007 revealed the following: VI. Code Cart VII. Replacement of supplies and daily checks B. The person in charge of the unit, or designee, will ensure that all supplies are replaced following a Code or opening of the drawers for other reasons (i.e. medication checks), or anytime a lock is broken. F. Unit staff is responsbile for locking and validating final integrity of the cart.	H 404	See attachment C07A-H 404-A	3/22/07

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING _____ B. WING _____	03/22/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 404	Continued From page 1 Based on record review, it was determined the facility failed to ensure the policy on Restraints/Seclusion is followed for one Patient (#6) out of thirty-three Patient records sampled. The findings include: Patient records review revealed that one Patient (#6) did not have the required documentation for restraints. On 03/18/07, an order for restraints for Patient #6 is signed by the physician but there is no documentation of the type of restraint to be used nor the reason for use of restraints. This finding was confirmed on interview 3/22/07 by the Director of Same Day Surgery. Review of Policy PC-225 states "The order must specify the reason for the restraint, the time limit that is not to exceed 24 hours, and the type of restraint to be used."	H 404	See attachment C07A- H 404-B	5/7/07
H 677	1200-8-1-.06 (4)(f) Basic Hospital Functions (4) Nursing Services. (f) The hospital must ensure that an appropriate individualized plan of care is available for each patient. This Statute is not met as evidenced by: Based on record review and interview, it was determined that the facility failed to develop and implement care plans for two Patients (#21 & #22) of the thirty-three sampled Patients. The findings included: Medical record review of Patient #21 on March 22, 2007 revealed an admission date of March	H 677		

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING _____ B. WING _____	03/22/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 677	Continued From page 2 21, 2007 with diagnosis of normal newborn. Continued review of the record revealed no care plan. Medical record review of Patient #22 on March 22, 2007 revealed an admission date of March 21, 2007 with a diagnosis of normal newborn. Continued review of the record revealed no care plan. The above findings were confirmed in an interview with the Director of Women's Services and the staff registered nurse on March 22, 2007 at 12:05 PM.	H 677	See attachment C07A-H 677	3/22/07

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Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53195	A. BUILDING _____ B. WING _____	03/22/2007

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
COOKEVILLE REGIONAL MEDICAL CENTER	142 W 5TH ST COOKEVILLE, TN 38501

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
P 526	1200-8-30-.05 (4)(e) Basic Functions (4) Facility Structure and Equipment. (e) An emergency cart or other systems to organize supplies including resuscitation equipment, drugs, printed pediatric drug doses and pediatric reference materials must be readily available. Equipment, supplies, trays, and medications shall be easily accessible, labeled and logically organized. Antidotes necessary for a specific geographic area should be determined through consultation with a poison control center. If the listed medications are not kept in the emergency department, they should be kept well organized and together in a location easily accessible and proximate to the emergency department. This Statute is not met as evidenced by: Based on observations and interview the facility failed to remove out of date supplies from its emergency cart. The findings included: Observations of the Braslow Bag, on March 21, 2007, at 10:30 am, revealed the following: 1. One Intraosseous Module/Kit with expiration date of April 2005. 2. One Intraosseous Module/Kit with expiration date of October 2005. 3. One Intraosseous Module/Kit with expiration date of November 2005. 4. One Intraosseous needle with expiration date March 2006. Interview with the Risk Manager on March 21, 2007, at 10:30 am, confirmed these findings.	P 526	See attachment C07A-P 526	4/2/07

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

March 27, 2007

Re : TNP53195

Nina Monroe
Regional Administrator
Middle Tennessee Regional Office
Bureau of Health Licensure and Regulation
710 Hart Lane, 1st Floor
Nashville, TN 37247-0530

Dear Ms. Monroe:

I am responding to your letter of March 27, 2007. Please find attached documentation responding to the statement of deficiencies developed as a result of the state licensure survey completed on March 22, 2007 at Cookeville Regional Medical Center.

As per your instruction, plans of correction all have dates of completion within 60 days of the completion of the above survey.

I hope the information attached meets with your approval. Should you have any further questions or needs, please feel free to call.

Sincerely,

Bernard L. Mattingly
Chief Executive officer (CEO)
Cookeville Regional Medical Center

April 2, 2007

Joe Iwanyszyn
Director, Plant Facilities
Cookeville Regional Medical Center

RE: Plan of Correction from the State Inspection on March 22, 2007

Deficiency: Air-return grille was very dusty within the dietary dish washing area

PoC

FNS staff cleaned the air-return grille immediately on March 22, 2007.

Food and Nutrition placed the air-return grille on a cleaning rotation for once per week. The FNS supervisor of the area will monitor the process to ensure compliance.

Prevention: Now on a scheduled cleaning maintenance.

Sincerely,

MS, RD

Michael Venters
Director, Food and Nutrition
Cookeville Regional Medical Center

Cc: Dave Riddell

COOKEVILLE REGIONAL
MEDICAL CENTER
Growing for You

142 West Fifth Street
Cookeville, TN 38501
931/528-2541

04/02/07

Joe Iwanyszyn
Director, Plant facilities
Cookeville Regional Medical Center

Re: Plan of Correction from State inspection on March 22, 2007

Dear Joe,

Our corrective plan of action in response to the State of Tennessee inspection on March 22, 2007 is as follows:

A supervisor was assigned to correct the cleaning deficiencies listed on page two of four. A housekeeper will be assigned the task of correcting these deficiencies and the area will be re-inspected by the housekeeping supervisor on 04/03/07.

We will prevent further occurrences by performing additional quality assurance rounds. The housekeeper checklist requires that they perform high dusting on a weekly basis. We will continue to monitor these checklists to ensure completion and consistency.

Sincerely,

Rex Stephenson
Director, Environmental Services
Cookeville Regional Medical Center

CC: Dave Riddell

C07A

PLAN OF CORRECTION
Clinical Areas
State Inspection March 22, 2007

H 404 - A

1. Both inoperable laryngoscope handles were replaced on March 22, 2007. Nursing staff were re-educated on the current Code 99 policy and its requirements.
2. 5 West Nursing Staff (Pediatric / Surgical) will correct this problem.
3. This problem was corrected on March 22, 2007.
4. This issue will be addressed by a revision of our house-wide Code 99 policy. All carts not being maintained by central sterile supply (Pediatric & Neonatal) must be checked by each floors/departments charge nurse every 3 months related to battery powered equipment. Documentation checklists will be maintained on the crash carts. Overall goal is to have all pediatric and neonatal carts standardized and maintained by Central Sterile supply by July 1, 2007. At that time the Code 99 policy will be further revised to reflect this house-wide standardization of the carts.

H 404 - B

1. A memo will be sent out to all physicians reminding (and re-educating) them on the correct way to fill out a restraint order as well as further education efforts will be completed with the Nursing staff in regards to checking an restraint order for completeness before continuing a restraint.
2. Nursing Administration (with the assistance of Nursing Education will correct this problem.
3. This problem will be corrected by May 7, 2007.
4. This issue will be addressed by adding Spot Restraint documentation checks to the items done in the facility wide hazardous rounds as well as Nursing supervisors continuing their current practice of checking restraints and restraint documentation every shift.

H 677

1. Care plans have been added to all newborn charts when the chart is created, then the document is individualized as needed.
2. OB Nursing personnel will correct this problem.
3. This problem was corrected on March 22, 2007.
4. This issue will be addressed by performing chart reviews daily as a spot check by the department director. The charge nurse and individual nursing caring for the patient are also held accountable for following and maintaining the plan.

C07A

P 526

1. All expired supplies were removed from the Braslow Bags on March 22, 2007. Staff were re-educated on the need and reason for checking expiration dates.
2. ER Nursing personnel will correct this problem.
3. This problem was corrected by April 2, 2007.
4. This issue will be addressed by the creation of a checklist for the supply tech to assist in rechecking these supplies at the same time each month. This check will also be added to the facility wide hazardous rounds so that spot check audits can be performed.

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TAB 28

The Joint Commission

November 10, 2011

Re: # 7821
CCN: #440059
Program: Hospital
Accreditation Expiration Date: December 03, 2014

Menachem Langer
Chief Executive Officer
Cookeville Regional Medical Center
PO Box 340
Cookeville, Tennessee 38501

Dear Dr. Langer:

This letter confirms that your August 31, 2011 - September 02, 2011 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on November 07, 2011 and October 13, 2011, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of September 03, 2011. We congratulate you on your effective resolution of these deficiencies.

§482.23 Condition of Participation: Nursing Services
§482.24 Condition of Participation: Medical Record Services
§482.41 Condition of Participation: Physical Environment
§482.51 Condition of Participation: Surgical Services
§482.52 Condition of Participation: Anesthesia Services

The Joint Commission is also recommending your organization for continued Medicare certification effective September 03, 2011. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation also applies to the following locations:

Cardiac & Pulmonary Rehabilitation Center
228 West 4th Street, Suite 100, Cookeville, TN, 38501

Cookeville Regional Medical Center Authority
d/b/a Cookeville Regional Medical Center Authority
1 Medical Center Boulevard, Cookeville, TN, 38501

C.7 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE

The Joint Commission

Diabetes Education Program
127 North Oak, Cookeville, TN, 38501

Outpatient Physicial Therapy Department
215 West 6th Street, Cookeville, TN, 38501

Rehab Center
215 West 6th Street, Cookeville, TN, 38501

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 4 /Survey and Certification Staff

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

The Joint Commission

Cookeville Regional Medical Center
1 Medical Center Boulevard
Cookeville, TN 38501

Organization Identification Number: 7821

Program(s)	**Survey Date(s)**
Hospital Accreditation	08/31/2011-09/02/2011

Executive Summary

Hospital Accreditation : As a result of the accreditation activity conducted on the above date(s), Requirements for Improvement have been identified in your report.

You will have follow-up in the area(s) indicated below:

- Evidence of Standards Compliance (ESC)

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

Evidence of DIRECT Impact Standards Compliance is due within 45 days from the day this report is posted to your organization's extranet site:

Program:	Hospital Accreditation Program	
Standards:	LS.01.02.01	EP3
	LS.03.01.30	EP1
	PC.01.02.07	EP3
	PC.03.01.03	EP8
	RC.02.01.03	EP7

Evidence of INDIRECT Impact Standards Compliance is due within 60 days from the day this report is posted to your organization's extranet site:

Program:	Hospital Accreditation Program	
Standards:	LS.02.01.10	EP9
	LS.02.01.20	EP13
	LS.02.01.30	EP2
	PC.01.02.03	EP5
	PC.01.03.01	EP5

CoP: §482.23 **Tag:** A-0385 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.23 Condition of Participation: Nursing Services

The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse.

CoP Standard	Tag	Corresponds to	Deficiency
§482.23(b)(4)	A-0396	HAP - PC.01.03.01/EP5	Standard

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(2)(i)(B)	A-0461	HAP - PC.01.02.03/EP5	Standard

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.10/EP9, LS.02.01.20/EP13, LS.02.01.30/EP2, LS.03.01.30/EP1	Standard

CoP: §482.51 **Tag:** A-0940 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

CoP Standard	Tag	Corresponds to	Deficiency
§482.51(b)(6)	A-0959	HAP - RC.02.01.03/EP7	Standard
§482.51(b)(1)(ii)	A-0952	HAP - PC.01.02.03/EP5	Standard

CoP: §482.52 **Tag:** A-1000 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.52 Condition of Participation: Anesthesia Services

If the hospital furnishes anesthesia services, they must be provided in a well-organized manner under the direction of a qualified doctor of medicine or osteopathy. The service is responsible for all anesthesia administered in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.52(b)(1)	A-1003	HAP - PC.03.01.03/EP8	Standard

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.01.02.01 ESC 45 days

Standard Text: The hospital protects occupants during periods when the Life Safety Code is not met or during periods of construction.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

3. The hospital has a written interim life safety measure (ILSM) policy that covers situations when Life Safety Code deficiencies cannot be immediately corrected or during periods of construction. The policy includes criteria for evaluating when and to what extent the hospital follows special measures to compensate for increased life safety risk. (See also LS.01.01.01, EP 3) 2

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 3
Observed in Document Review at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.
The facility has an ILSM policy in place, however the policy is outdated and does not reflect all current ILSM's. In addition, the policy contains no criteria for determining when and to what extent ILSM's are to be implemented to compensate for Life Safety deficiencies noted at the facility. The need for such detailed evaluation and subsequent implementation of ILSM's is clearly shown by the status of the current ventilation project involving the old elevator shafts at the facility.

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.02.01.10 ESC 60 days

Standard Text: Building and fire protection features are designed and maintained to minimize the effects of fire, smoke, and heat.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

9. The space around pipes, conduits, bus ducts, cables, wires, air ducts, or pneumatic tubes that penetrate fire-rated walls and floors are protected with an approved fire-rated material. 4
Note: Polyurethane expanding foam is not an accepted fire-rated material for this purpose. (For full text and any exceptions, refer to NFPA 101-2000: 8.2.3.2.4.2)

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 9
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Unsealed conduit ends were noted in the following locations: 6 North "B" wing, 3 unsealed conduits.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Unsealed conduit ends were noted in the following locations: 4 North "B" wing, 2 unsealed conduits.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Unsealed conduit ends were noted in the following locations: 5th floor North "B" wing one unsealed conduit.

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.02.01.20

ESC 60 days

Standard Text: The hospital maintains the integrity of the means of egress.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

13. Exits, exit accesses, and exit discharges are clear of obstructions or impediments to the public way, such as clutter (for example, equipment, carts, furniture), construction material, and snow and ice. (For full text and any exceptions, refer to NFPA 101-2000: 7.1.10.1)

4

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 13
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: 6 East Hall.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: 4 West hall.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: Oncology Center CORE area.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: Labor/Delivery.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: ER.

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.02.01.30

ESC 60 days

Standard Text: The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

2. All hazardous areas are protected by walls and doors in accordance with NFPA 101 -2000: 18/19.3.2.1. (See also LS.02.01.10, EP 5; LS.02.01.20, EP 18) Hazardous areas include, but are not limited, to the following: 

Boiler/fuel-fired heater rooms
- Existing boiler/fuel-fired heater rooms have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour fire-rated walls and 3/4-hour fire-rated doors.
- New boiler/fuel-fired heater rooms have sprinkler systems and have 1-hour fire-rated walls and 3/4-hour fire-rated doors.

Central/bulk laundries larger than 100 square feet
- Existing central/bulk laundries larger than 100 square feet have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the laundries have 1-hour fire-rated walls and 3/4-hour fire-rated doors.
- New central/bulk laundries larger than 100 square feet have sprinkler systems and have 1-hour fire-rated walls and 3/4-hour fire-rated doors.

Flammable liquid storage rooms (See NFPA 30-1996:4-4.2.1 and 4-4.4.2)
- Existing flammable liquid storage rooms have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors.
- New flammable liquid storage rooms have sprinkler systems and have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors.

Laboratories (See NFPA 45-1996 to determine if a laboratory is a 'severe hazard' area)
- Existing laboratories that are not severe hazard areas have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the laboratories have walls fire rated for 1 hour with 3/4-hour fire-rated doors.
- New laboratories that are not severe hazard areas have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices.
- Existing laboratories that are severe hazard areas (See NFPA 99-1999: 10-3.1.1) have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors. When there is a sprinkler system, the walls are fire rated for 1 hour with 3/4-hour fire-rated doors.
- New laboratories that are severe hazard areas (See NFPA 99-1999: 10-3.1.1) have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- Existing flammable gas storage rooms in laboratories have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors. (See NFPA 99-1999: 10-10.2.2)
- New flammable gas storage rooms in laboratories have sprinkler systems and have 2 -hour fire-rated walls with 1 1/2-hour fire-rated doors. (See NFPA 99-1999: 10-10.2.2)

Maintenance repair shops
- Existing maintenance repair shops have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the shops have 1-hour fire-rated walls with at least 3/4-hour fire-rated doors.
- New maintenance repair shops have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

Piped oxygen tank supply rooms (See NFPA 99-1999: 4-3.1.1.2)
- Existing piped oxygen tank supply rooms have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- New piped oxygen tank supply rooms have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

Paint shops that are not severe hazard areas
- Existing paint shops that are not severe hazard areas have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the shops have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- New paint shops that are not severe hazard areas have sprinkler systems and have 1 -hour fire-rated walls with 3/4-hour fire-rated doors.

Soiled linen rooms
- Existing soiled linen rooms have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour

fire-rated walls with 3/4-hour fire-rated doors.
- New soiled linen rooms have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
Storage rooms
- Existing storage rooms for combustible materials larger than 50 square feet have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- New storage rooms for combustible materials 50 to 100 square feet are sprinklered, resist the passage of smoke, and have doors with self-closing or automatic-closing devices.
- New storage rooms for combustible materials larger than 100 square feet are sprinklered and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
Trash collection rooms
- Existing trash collection rooms have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- New trash collection rooms are sprinklered and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 2
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
In suite S-2, the file storage room does not have a door separating it from the lobby. Blueprints of the area show a smoke wall in this location.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
The rear door to the file storage room in suite S-2 is not equipped with a door closer.

Chapter: Life Safety
Program: Hospital Accreditation
Standard: LS.03.01.30

ESC 45 days

Standard Text:

The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.
Note 1: This standard applies to sites of care where four or more patients at the same time are provided either anesthesia or outpatient services that render patients incapable of saving themselves in an emergency in the hospital.
Note 2: This standard applies to all hospitals seeking accreditation for Medicare certification purposes, regardless of the number of patients rendered incapable.
Note 3: In leased facilities, the elements of performance of this standard apply only to the space in which the accredited organization is located; all exits from the space to the outside at grade level; and any Life Safety Code building systems that support the space (for example, fire alarm system, automatic sprinkler system).

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

1. Existing vertical openings (other than exit stairs) are enclosed with 1-hour fire-rated walls. In new construction, vertical openings (other than exit stairs) are enclosed by 1-hour fire-rated walls when connecting three or fewer floors, and 2-hour fire-rated walls when connecting four or more floors. (For full text and any exceptions, refer to NFPA 101-2000: 20/21.3.1)
Note: These vertical openings include, but are not limited to, communicating stairs, ramp, elevator shafts, ventilation shafts, light shafts, trash chutes, linen chutes, and utility chases.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 1
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
On the 3rd, 4th, 5th and 6th floor East old elevator shafts are being converted to ventilation shafts. The old elevator equipment has been removed, however the shafts themselves have not been closed off at each floor. The only separation between floors is that the old elevator lobby is separated by a single layer of drywall and a locked door to control access, however there is no fire separation between the floors. As a minimum the following actions must be taken to insure fire protection for the facility: Temporary 2 hour rated fire walls must be installed on every floor at the shaft entrance; Appropriate ILSM's must be implemented to compensate for the hazard posed by this project, including staff notification, training on evacuation in case of fire, extra fire drills and fire watches during all hot work. Additional ILSM's must be implemented as needed .

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.01.02.03 ESC 60 days

Standard Text: The hospital assesses and reassesses the patient and his or her condition according to defined time frames.

Primary Priority Focus Area: Information Management

Element(s) of Performance:

5. For a medical history and physical examination that was completed within 30 days prior to registration or inpatient admission, an update documenting any changes in the patient's condition is completed within 24 hours after registration or inpatient admission, but prior to surgery or a procedure requiring anesthesia services. (See also MS.03.01.01, EP 8; RC.02.01.03, EP 3) 4

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 5
§482.24(c)(2)(i)(B) - (A-0461) - (2) [All records must document the following, as appropriate:

(i) Evidence of --]

(B) An updated examination of the patient, including any changes in the patient's condition, when the medical history and physical examination are completed within 30 days before admission or registration. Documentation of the updated examination must be placed in the patient's medical record within 24 hours after admission or registration, but prior to surgery or a procedure requiring anesthesia services.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
The history and physical examination found in the medical record of a surgical patient had been faxed to the hospital on 8/30. It was, however, dated 8/31, the date of admission. There was no update to this history and physical found in the medical record.

§482.51(b)(1)(ii) - (A-0952) - (ii) An updated examination of the patient, including any changes in the patient's condition, must be completed and documented within 24 hours after admission or registration when the medical history and physical examination are completed within 30 days before admission or registration.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
A patient was seen in a physician's office and directly admitted to the hospital on the same day. The history and physical examination was dictated and printed in the physician's office and then faxed to the hospital and placed into the patient's medical record. There was no update to the H&P found in the medical record.

Observed in OB, Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
When reviewing the record of care, the update to the H&P upon admission and before delivery was not evident.

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.01.02.07 ESC 45 days

Standard Text: The hospital assesses and manages the patient's pain.

Primary Priority Focus Area: Assessment and Care/Services

Element(s) of Performance:

3. The hospital reassesses and responds to the patient's pain, based on its reassessment criteria. 

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 3
Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.
A patient had an order for intravenous morphine as needed for pain. The patient complained of pain and was given two milligrams of morphine. There was no documentation of a reassessment of the patient's pain within one hour as required by policy.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.
A patient was given a prn oral pain medication. Hospital policy requires a reassessment of pain within one hour after medication. No documentation of a pain reassessment was found in the medical record.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.
During the visit to the emergency room the surveyor traced a 79 year old male patient who was later admitted. The patient was presented with a pain score of 5 and was medicated with PO tylenol. There was no documentation that the patient's pain level was ever reassessed as required by policy.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.
During the tracer of a 25 year old patient being seen in the emergency department it was noted that the patient received multiple doses of IV fentanyl over the course of two hours. The patient presented with a pain level of 10. When the patient was admitted some two hours later the patient pain level was still at 9. There was no documentation that the patient's pain level was reassessed within one hour as required by policy.

Observed in Individual Tracer at Outpatient Physicial Therapy Department (215 West 6th Street, Cookeville, TN) site.
During the individual tracers of two outpatient physical therapy and one occupational therapy patients it was noted that pain was inconsistently reassessed during each visit. Hospital policy requires that pain be assessed on the initial evaluation and reassessed on each visit thereafter.

Chapter: Provision of Care, Treatment, and Services
Program: Hospital Accreditation
Standard: PC.01.03.01 ESC 60 days
Standard Text: The hospital plans the patient's care.
Primary Priority Focus Area: Assessment and Care/Services

Element(s) of Performance:

5. The written plan of care is based on the patient's goals and the time frames, settings, and services required to meet those goals. 
Note: For psychiatric hospitals that use accreditation for deemed status purposes: The patient's goals include both short- and long-term goals.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 5
§482.23(b)(4) - (A-0396) - (4) The hospital must ensure that the nursing staff develops, and keeps current, a nursing care plan for each patient.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at Rehab Center (215 West 6th Street, Cookeville, TN) site for the Hospital deemed service.
During the tracer of a 89 year old rehab inpatient the treatment plan was reviewed. During the review it was noted that the mobility goals lacked time frames for achievement. Also many of the goals used discharge as the time frame for goal achievement however the discharge date was unknown. Further, there were no long and short term goals delineated as required by policy.

Observed in Individual Tracer at Rehab Center (215 West 6th Street, Cookeville, TN) site for the Hospital deemed service.
During the tracer of a 77 year old rehab inpatient the treatment plan was reviewed. During the review it was noted that there were no long and short term goals delineated as required by policy. Also many of the goals used discharge as the time frame for goal achievement however the discharge date was unknown.

Observed in Individual Tracer at Outpatient Physicial Therapy Department (215 West 6th Street, Cookeville, TN) site for the Hospital deemed service.
During the tracer of an 83 year old physical therapy out patient it was noted that the short and long term goals lacked times frames for goal achievement.

Chapter: Provision of Care, Treatment, and Services
Program: Hospital Accreditation
Standard: PC.03.01.03 ESC 45 days
Standard Text: The hospital provides the patient with care before initiating operative or other high-risk procedures, including those that require the administration of moderate or deep sedation or anesthesia.
Primary Priority Focus Area: Assessment and Care/Services

Element(s) of Performance:

8. The hospital reevaluates the patient immediately before administering moderate or deep sedation or anesthesia. (See also RC.02.01.01, EP 2) 

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 8
§482.52(b)(1) - (A-1003) - [The policies must ensure that the following are provided for each patient:]

(1) A pre-anesthesia evaluation completed and documented by an individual qualified to administer anesthesia, as specified in paragraph (a) of this section, performed within 48 hours prior to surgery or a procedure requiring anesthesia services.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
During an individual tracer of a 55 year old cardiac surgery patient who had surgery on August 29 2011 it was noted that there was no documentation that the patient was reevaluated prior to the administration of the sedating agents. The hospital does not have a policy that addresses the reevaluation of the patient immediately before administrating moderate or deep sedation or anesthesia.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
During an individual tracer of a 77 year old cardiac surgery patient who under went a CABG procedure under general anesthesia on October 12, 2010 it was noted that there is no documentation that the patient was reevaluated prior to the administration of the sedating agents. The hospital does not have a policy that addresses the requirement to reevaluate the patient immediately before administrating moderate or deep sedation or anesthesia.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
During the individual tracer of a 62 year old cardiac surgery patient who under went a CABG X 2 on September 1, 2011 it was noted that there was no documentation that a reevaluation of the patient occurred immediately prior to the administration of the sedating agents. The hospital does not have a policy that addresses the requirement to reevaluate the patient immediately before administrating moderate or deep sedation or anesthesia.

Chapter: Record of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: RC.02.01.03 ESC 45 days

Standard Text: The patient's medical record documents operative or other high-risk procedures and the use of moderate or deep sedation or anesthesia.

Primary Priority Focus Area: Information Management

Element(s) of Performance:

7. When a full operative or other high-risk procedure report cannot be entered immediately into the patient's medical record after the operation or procedure, a progress note is entered in the medical record before the patient is transferred to the next level of care. This progress note includes the name(s) of the primary surgeon(s) and his or her assistant(s), procedure performed and a description of each procedure finding, estimated blood loss, specimens removed, and postoperative diagnosis. 3

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 7
§482.51(b)(6) - (A-0959) - (6) An operative report describing techniques, findings, and tissues removed or altered must be written or dictated immediately following surgery and signed by the surgeon.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
An inpatient underwent a surgical procedure in the operating room. The full operative report was dictated immediately following the procedure but was not transcribed until more than ten hours later. No procedure progress note was found in the medical record.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
During an individual tracer of a 55 year old cardiac surgery patient it was noted on the anesthesia record that the patient lost 800 ml of blood during the procedure. In reviewing the immediate post operative note it was discovered that there was no indication that the patient had lost any blood. The patient's EBL should have been included in the immediate post operative note.

Observed in OB, Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
When reviewing the record of care for a patient who underwent a surgical procedure on 08/30, a full operative/high risk procedure note, nor a post-operative progress note was evident in the record at time of survey visit on 08/31.

Observed in Peds, Record Review at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.
When reviewing the record of care for a patient who underwent a surgical incision and drainage procedure, the record lacked evidence of a post-operative progress note.

194

TAB 29

195

Copy

Supplemental #1

Cookeville Regional Medical Center

CN1305-016

196
196

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

AFFIDAVIT 13 MAY 22 AM 10 59

STATE OF TENNESSEE

COUNTY OF Putnam

NAME OF FACILITY: Cookeville Regional Medical Center

I, Paul Korth, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

PAUL KORTH, CEO

Sworn to and subscribed before me, a Notary Public, this the 21st day of May, 2013, witness my hand at office in the County of Putnam, State of Tennessee.

NOTARY PUBLIC

My commission expires June 22, 2015.

MINDY YOUNGBLOOD
STATE OF TENNESSEE NOTARY PUBLIC
COUNTY OF PUTNAM

HF-0043

Revised 7/02

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

COOKEVILLE REGIONAL MEDICAL CENTER

RESPONSES TO FIRST SUPPLEMENTAL QUESTIONS

PROJECT NAME:

CENTRAL STERILE SUPPLY EXPANSION AND RENOVATION AND

RELOCATION AND EXPANSION OF PHARMACY

CERTIFICATE OF NEED APPLICATION:

CN 1305-016

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

1. **Filing Fee**

2013 MAY 22 AM 11 00

There appears to be a shortage of $704.00 in the applicant's filing fee. The amount of the initial filing fee is equal to $2.25 per $1,000 of the estimated project cost. Please submit the $704.00 shortage.

Response - You are correct. We incorrectly calculated the filing fee. Enclosed is our check for the additional $704.00.

2. **Section 1 Project Description**

Please discuss if the proposed renovation and expansion of the Central Sterile Supply department will reduce patient infections. If so, what is the projected percentage reduction?

Response - While we monitor all surgical site infections for trends there is no evidence to suggest that any prior infections where due to inadequate or improper sterilization. Therefore, it is impossible to say that this expansion will decrease infection rates specifically. This expansion will, however, decrease risk for processing errors within the department by allowing adequate space for performing standardized reprocessing. The expansion, along with the addition of equipment, will allow for more efficient turnaround of surgical instruments, alleviating stress associated with feeling rushed to clean instruments quickly therefore reducing risk of infection due to variance in processing.

Please discuss how the ergonomics of the proposed Central Sterile Supply department will improve the sterilization process of surgical instruments.

Response The design of the new Washer/Disinfector allows for increased capacity at reduced cycle times while reducing utility and detergent consumption. The system is easy for the operator to program and use. The conveyor system is modular with automated loading/unloading functionality; it can be adjusted and positioned according to staffing and work space requirements. The sonic-washer is equipped with auto load/unload elevator and toe-touch controls. It has an enhanced transducer for efficient cleaning of micro and cannulated instruments. The prep and pack workstations have electric height adjustment with overhead task lights and accessories for computer/monitor attachments. The surgical instrument/tray tracking system allows for accurate tray assembly and "patient point of care" use. The Pre-vacuum Steam Sterilizers has greater capacity and are utility efficient. The design of the door operation and

controls with respect to ergonomics is its best feature. The manual doors operate with one hand and the automated ones are power sliding. The controls are at eye level, easy to program with one-touch operation. The instrument/tray transfer cart docking system for loading and unloading is safer. The shelves in the sterile storage area are height adjustable so that heavy trays can be transferred safely without compromising the integrity of the packaging. The entire department's lighting system will improve.

Please briefly discuss how the proposed Central Sterile Central Supply Department will improve employee safety.

Response The creation of the Central Sterile Supply Department is based on the premise that centralizing the decontamination and sterilization processes improves quality due to central control and consistency of trained workers. The mission of the department is to ensure patient safety by eliminating the risk of infection due to cross contamination associated with the re-use of medical/surgical instruments, sets and equipment. The decision to re-design and purchase new equipment is based on current and future demands of sixteen surgical suites, the quantity, capacity and age of the processing equipment as well as the space required in each area to safely work. Increasing the quantity, capacity and efficiency of the washer-disinfectors and sterilizers decreases processing queue and turnover times, level loading or evening out production runs prevents staff overload which in turn reduces stress, mistakes and injuries. New equipment is now designed with ergonomics and utility efficiencies in mind. Automated loading/unloading equipment, auto elevators for lifting, adjustable work stations, single handed doors and enhanced microprocessors that not only are easy to program and use but have auto shut down features for safety. Re-designing the department compartmentalizes each area, creates an environment from contaminated to clean to sterile. Increasing the space of the department not only allows for the additional equipment and storage but just as importantly adequate space based on current staff levels (additional if necessary) to work, reducing all the hazards associated with a tight working environment.

Please provide a brief overview of the decontamination area, assembly and packaging area, Sterile Storage area and the distribution area in the proposed Central Sterile Supply Department project.

Response The decontamination area will increase in size from 1,122 SqFt to approximately 1,605 SqFt. In order to accommodate the demands of sixteen surgical suites, the cleaning/disinfecting equipment quantity and capacity will increase from two Washer/Disinfector to four, replacement of the case-cart washer/disinfector and replacement of the sonic-washer. The assembly and packaging area will increase in size from 3,310 SqFt to approximately 3,528 SqFt. New replacement equipment required for this area includes ten prep and pack work stations and four 60" Pre-vacuum Medium Stream Sterilizers. The Sterile Storage Distribution area will increase in size from 3,565 SqFt to approximately 6,100 SqFt. Shelving and bins will be adjustable and vary in size to accommodate re-usable instrumentation and disposable supplies.

What is the age of Cookeville Regional Medical Center's physical plant? Please clarify the availability of space for future expansion of the Central Sterile Supply Department.

Response The current location of Cookeville Regional Medical Center was first built in the 70's. It was added on to in the 80's, 90's and most recently in 2008 when the North Patient Tower was completed. At the time of the construction of the North Patient Tower, CRMC also built a new power plant which is located at the corner of 6th and N. Cedar St. The Central Sterile Supply is located it what is referred to as the 80's building. The Pharmacy also is currently located in the 80's building and will be re-located into the built out space on the first floor which was part of the North Patient Tower expansion.

The renovation to both the Central Sterile Supply Department and the Pharmacy Department will meet the needs of both departments for at least the next 15 years. Further, it is likely that technology will produce smaller and more efficient sterilizing methods in the future, so the space for CSS itself will probably be sufficient well beyond 15 years. Also, because of how it will be organized, as new technology is developed it will be possible to replace equipment in CSS in the larger footprint without interruption of operations and without needing more physical space.

The pharmacy expansion also will meet the current and future projected needs of the facility for at least 15 years.

3. **Section B, Project Description, Item III. (A)**

The provided plot plan is noted. Please note the size of site (in acres) and indicate the location of the proposed MRI structure on the plot plan.

Response As stated in B III A the main Hospital building sits on approximately 7 acres. The entire hospital site including parking lots and physical plant is approximately 17.9 acres. Exhibit B III A Tab 14 gives the acreage by individual plot. I do not understand the question about the location of the MRI structure. There is no MRI structure that is part of this CON. If the question is meant to request the location of the Central Sterile Department, Tab 15 of the original application shows the location on the second floor and tab 16 of the original application shows the location on the first floor where pharmacy will be placed.

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

4. **Section C, Need Item 1**

2013 MAY 22 AM 11 01

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan."

Response

a. Improve the Health of Tennesseans. This project will allow the Hospital to continue to provide quality health care to the patients it serves. The renovation and expansion of Central Sterile will insure that CRMC continues to maintain a safe surgical suite environment, free of contaminated instruments. Further the expansion will allow for better efficiencies. Without the expansion, as the demands grow upon the CSS department it will be unable to process case carts and surgical instruments in a timely fashion, thus delaying the delivery of health care.

b. Reasonable access to health care - CRMC admits all patients regardless of their ability to pay and regardless of their payer status. We contract with all TennCare payers. Allowing CRMC to update its ancillary departments such as CSS and Pharmacy will enable CRMC to continue to provide access to all citizens within our service area. Without the expansion, as the demands grow upon the CSS department it will be unable to process case carts and surgical instruments in a timely fashion, thus delaying the delivery of health care, which will affect the access.

c. Economic Efficiencies - Neither the renovation and expansion of CSS nor the relocation and expansion of Pharmacy will add any new services nor will the project increase the costs of delivery of health care are CRMC. However, a newly renovated CSS with modern equipment will increase efficiencies and will prevent delays in room turnovers, due to a delay in processing surgical trays and instruments.

d. Quality of Care - This project is designed to improve the safety and effectiveness of both the Central Sterile Supply Department and the Pharmacy. It will reduce the risk of infections and will make for a safer work environment. While the project does not involve any direct patient care, it affects two departments who deliver services for the benefit of the patient. The expansion of both departments will allow CRMC to continue to provide high quality of care to its patients.

e. Health Care Workforce - Both the CSS department and the Pharmacy department work in tight space. Further the equipment in CSS is old, and in constant repair. The CSS employees are under constant stress to do more with less, creating a very stressful work environment. Not only will this project provide additional space, it will provide modern equipment designed with employee safety and efficiency in mind.

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

5. **Section C, Need Item 4.A.**

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

Response Following is the requested information for our 13 county service area.

Variable	Clay	Cumberland	DeKalb	Fentress	Jackson	Macon	Overton	Pickett	Putnam	Smith	VanBuren	Warren	White	Tenn.
Current Year (CY), Age 65+	1,579	14,553	2,956	3,047	2,055	3,134	3,711	1,140	10,565	2,603	942	6,025	4,534	853,462
Projected Year (PY), Age 65+	1570	15750	3,106	3,484	2,188	3,338	4,038	1,195	12,287	2,866	948	6,845	4,694	960,158
Age 65+, % Change	(.99%)	1.08%	1.05%	1.14%	1.06%	1.07%	1.09%	1.05%	1.16%	1.10%	1.01%	1.14%	1.03%	1.13%
Age 65+, % Total (PY)	5.28%	3.65%	6.41%	5.31%	5.34%	7.18%	5.37%	4.34%	6.08%	7.26%	5.87%	6.35%	5.56%	6.80%
CY, Total Population	7840	56,053	18,723	17,959	11,638	21,467	22,083	5,077	72,321	19,166	5,548	39,839	25,841	6,346,105
PY, Total Population	8,295	57,467	19,901	18,513	11,676	23,975	21,688	5,182	74,702	20,817	5,561	43,453	26,103	6,530,459
Total Pop. % Change	1.06%	1.03%	1.06%	1.03%	1.00%	1.08%	1.01%	1.02%	1.03%	1.09%	1.00%	1.09%	1.01%	1.03%
TennCare Enrollees	1,951	10,345	4,359	5,416	2,576	5,856	4,382	968	14,201	3,632	1,167	9,265	5,971	1,200,797
Median Age	45	48	41	42	45	39	42	47	36	40	45	39	42	38
Median Household Income	$28,682	$36,955	$36,870	$29,245	$32,846	$34,747	$34,108	$31,157	$34,305	$43,580	$31,155	$35,575	$34,642	$43,989
Population % Below Poverty Level	19.9%	16%	18.5%	25.2%	22.9%	23.9%	19.8%	16.3%	24.9%	17.2%	21.8%	21.5%	20.8%	16.9%

2010 Demographic Profile, US Census Bureau

Tennessee Advisory Commission on Intergovernmental Relations, 2010 Census

tn.gov/tenncare – TennCare Midmonth Report for January 2013

SUPPLEMENTAL- # 1
May 22, 2013
10:01 am

6. **Section C, Need, Item 6**

The projected case cart utilization for years 2016 and 2017 is noted. Please clarify how many case carts are needed for a surgical procedure. Is the ratio one case cart to one procedure? Do different specialties such as cardiac or obstetrics need one or more case carts for surgeries? What is included in a case cart?

How many surgical instrument sets are typically assigned to a case cart?

Please complete the following table:

Department	2010	2011	2012	2013	2016	2017
Inpatient Surgeries	3348	3035	3108	3200	3491	3593
Outpatient Surgeries	4606	4152	4441	4573	4993	5140
Case Carts Built	8,260	9,294	7,235	8,683	10,051	10,554
Instrument Sets Processed	72,952	82,467	71,436	85,616	100,239	105,251

Response Typically one case cart is used per surgical procedure. That includes specialty procedures like cardiac and obstetrics. We use a "closed" case cart system which includes both disposable and re-usable (surgical instruments/sets) required for the surgical procedure. On average, a surgical case requires 8 surgical sets.

7. **Section C, Economic Feasibility, Item 5**

The project's average gross charge, average deduction from operating revenue and average net charge appears to be incorrect. Please recalculate and submit a replacement page if needed.

Response - Below is a chart showing the average gross charge, average deduction from operating revenue and average net charge as we discussed

	FY 2012		FY 2016 (projected)
Gross Operating Revenue	$505,138,664		$533,171,291
Average gross charge per patient days	$8,410.80		$8,414.80
Total deductions from revenue	$281,592,747		$297,380,348
Average deductions from revenue	$4,688.70		4,693.40
Average Net Charge	$3,722.10		$3,721.40

8. **Section C, Economic Feasibility, Item 4. (Historical Data Chart and Projected Data Chart)**

Please revise all Projected Data and Historical Data Charts in the application that includes any applicable management fees. A revised Projected Data Chart and Historical Data Chart that has a line item for management fees are included as an attachment.

Response As indicted in the Publication of Intent and in answer to question five of the application CRMC is not managed by any outside entity, thus there are no management fees. However, the following pages are the revised Historical Data and the revised Projected Data showing no management fees.

2013 MAY 9 PM 2 42

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Herald-Citizen (Name of Newspaper) which is a newspaper of general circulation in Putnam (County), Tennessee, on or before May 8 (Month / day), 2013 (Year) for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Cookeville Regional Medical Center (Name of Applicant) a hospital (Facility Type-Existing)

owned by: Cookeville Regional Medical Center Authority with an ownership type of Governmental

and to be managed by: itself intends to file an application for a Certificate of Need

for [PROJECT DESCRIPTION BEGINS HERE]:

The renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within Central Sterile Supply Department and the relocation and expansion of the in-patient Pharmacy Department. The location of the project is at the hospital's main campus, 1 Medical Center Boulevard, Cookeville, TN. The total cost of the project is $11,546,920.

The anticipated date of filing the application is: May 8, 2013

The contact person for this project is Paul Korth (Contact Name) CEO (Title)

who may be reached at: Cookeville Regional Medical Center (Company Name) 1 Medical Center Boulevard (Address)

Cookeville (City) TN (State) 38501 (Zip Code) 931-783-2000 (Area Code / Phone Number)

(Signature) May 1, 2013 (Date) pkorth@crmchealth.org (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
615-741-1954

DATE: July 31, 2013

APPLICANT: Cookeville Regional Medical Center
1 Medical Center Boulevard
Cookeville, Tennessee 38501

CON: CN1305-16

CONTACT PERSON: Paul Korth, Chief Executive Officer
Cookeville Regional Medical Center
1 Medical Center Boulevard
Cookeville, Tennessee 38501

COST: $11,547,625

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: State Health Plan 2012 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:
The applicant, Cookeville Regional Medical Center (CRMC), located in Cookeville (Putnam County), Tennessee, seeks Certificate of Need (CON) approval for the renovation and expansion of the Central Sterile Supply Department (CSS) as well as the replacement of major medical equipment within the CSS, and the relocation and expansion of the in-patient Pharmacy Department.

CRMC completed the expansion and renovation of their surgery suites as part of CN01008-035 which expanded the number of surgery suites to 16. This project will renovate and expand the central sterile department that supports the operating suites. In order to expand the CSS, it is necessary to relocate the inpatient pharmacy to shell in space that was part of CN0505-039.

The project involves the renovation of 21,149 total square feet; 5,782 of square feet for the new pharmacy area at a cost of $296.81 per square foot, and 15,368 square feet for the CSS at a cost of $313.13 per square foot.

Cookeville Regional Medical Center Authority is a private act hospital authority that operates CRMC. The City of Cookeville owns the real estate and buildings. Attachment B 1, Tab 3 contains more detail of the ownership structure.

The total estimated project cost is $11,547,625 and will be funded through cash reserves as attested to in a letter from the hospital's CEO in Attachment C 2, Economic Feasibility 1, E Tab 20. The project will span 4 separate budget years so expenses will be spread over those 4 budget years.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: State Health Plan 2012 Edition*

NEED:

The applicant's primary service area includes Putnam, Jackson, White, and Overton counties. The secondary service area includes Clay, Cumberland, DeKalb, Fentress, Macon, Pickett, Smith, Van Buren, and Warren counties. The following chart illustrates the 2013 and 2017 total population projections for the applicant's service area.

Primary and Secondary Service Area
Population Projections for 2013 and 2017

County	2013 Population	2017 Population	% Increase/ (Decrease)
Clay	7,719	7,667	(0.7%)
Cumberland	57,370	59,573	3.8%
DeKalb	18,918	19,079	.9%
Fentress	18,290	18,827	2.9%
Jackson	11,355	11,465	1.0%
Macon	22,957	23,894	4.1%
Overton	22,376	22,833	2.0%
Pickett	5,045	4,945	(1.0%)
Putnam	75,646	81,219	7.4%
Smith	19,445	20,104	3.4%
Van Buren	5,456	5,459	0.1%
Warren	40,299	40,990	1.7%
White	26,612	27,670	4.0%
Total	**331,448**	**343,725**	**3.7%**

Source: *Tennessee Population Projections 2000-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment*

The CSS comprises the service within the hospital in which medical/surgical supplies and equipment, both sterile and non-sterile, are cleaned, prepared, processed, stored, and issued for patient care. The CSS is a vital part of the hospitals infection control program. Currently, the CSS at CRMC has 9,226 square feet and is equipped with 2 washer/disinfectors, 1 small sterilizer, 2 medium sterilizers, 1 cart wash, and 1 sonic washer. All of the equipment is over 12 years old and in need of constant repair. The work load has increased dramatically over the last 5 years with no increase in equipment or space. In 2008, the applicant reports 7,178 carts compared to 9,294 in 2011. Additionally in 2008, 68,458 instrument sets were processed compared to 82,468 in 2011. This project proposes to increase the size of the CSS from 9,226 square feet to 15,368 square feet. In addition, all sterilizing equipment will be replaced with 4 washer/disinfectors, 4 sterilizers (2 automated), 1 large capacity cart washer and 1 sonic washer that are validated for da Vinci robotic wrists.

In addition to the increase in the workload over the past 5 years, a new general surgeon was added in 2012, a new OB/GYN physician is starting a practice in September of 2013, 2 new invasive cardiologists joined the cardiology practice, and one of the urology practices is recruiting for a new urologist.

The existing CSS is undersized and unable to accommodate the processing equipment and clean/sterile storage required to support 16 ORs and the equipment is at the end of its useful life. The existing CSS is located on the second floor of the East wing directly above the surgery department. There is no other suitable area within the facility for a complete relocation of the CSS department.

The Pharmacy currently occupies 4,155 square feet and is undersized, landlocked and has no room for expansion. This project will expand the size of the pharmacy to 5,781 square feet and will allow room for expansion of additional hoods for sterile compounding, as well as an additional medicine carousel. The new pharmacy will be constructed in a shell space on the first floor of the A Wing of the North Patient Tower. The hospital's facility master plan anticipated this type service prior to this application. The new pharmacy will contain the medication dispensing robot and carousel added in 2006, a new carousel, a sterile compounding clean room with 4 work stations,

consolidated storage/refrigerated storage, dedicated receiving and purchasing functions, 17 work spaces and 4 offices for pharmacists, clinicians, and students. A second pneumatic tube station will be added for connectivity to all inpatient, outpatient, OB, and ER units. A six stop elevator will be added in an existing empty shaft to provide capacity for cart delivery to medication cabinets in all nursing units. These additions are expected to provide a safer and more efficient workflow.

No less costly or more effective alternative is feasible. The applicant explored the possibility of moving CSS off site and delivering the case carts throughout the day, but this was ruled out due to cost and delivery concerns. Expanding the CSS in the current location and relocating the pharmacy to shell in space on the first floor was deemed more practical and less likely to have an impact on timeliness of the inpatient pharmacy services.

TENNCARE/MEDICARE ACCESS:
The applicant participates in both the Medicare and Medicaid programs. No increased revenue is expected as a result of the project, however, it could be considered as a revenue protecting project. Failing to upgrade the CSS functions would adversely affect CRMC ability to provide sterile equipment to their operating rooms in a timely manner, delaying surgical cases and driving surgical staff from utilizing the facilities.

CRMC has a 54% Medicare payor mix and a 12% TennCare payor mix.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located in the application on page 15. The projects total estimated project cost is $11,547,625.

Historical Data Chart: The applicant provides a Historical Data Chart in Supplemental 1. The applicant reports a net operating income of $11,559,074, $5,133,039, and $4,554,027 each year, respectively.

Projected Data Chart: The Projected Data Chart is located in Supplemental 1, page 22. The applicant projects 63,361 patient days in year one and 64,945 patient days in year two with a net operating income of $4,132,448 and $4,132,260 each year, respectively.

The applicant's average gross charge in year one is projected to be $8,410.80 with an average deduction of $4,688.70, resulting in an average net charge of $3,722.10. In year two, the average gross charge is projected to be $8,414.80, with an average deduction of $4,693.40, resulting in an average net charge of $3,721.40.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:
The applicant lists all healthcare providers, hospitals, nursing homes, home care organizations, MCOs, and networks that they have contractual and/or working relationships with in C1, Orderly Development of Health Care in their application. In addition, the applicant provides those facilities with which they have transfer agreements within the same section.

CRMC is the anchor of the local health system in its service area. The facility's continued financial strength is important not only to maintaining high quality acute care, but also in attracting and retaining physicians in this rural area. It is the area's only large hospital with a broad range of tertiary services.

This project does not duplicate or add competition to existing business provided by other hospitals in the service area, but merely updates and increases the CSS.

This project does not increase or decrease the number of staff in either the CSS or in the inpatient pharmacy.
CRMC conducts numerous educational programs both for its staff and members of the community. Such programs include classes in pre-natal care, cardio-pulmonary resuscitation, wellness education, in-service education, and other areas of service. The hospital serves as a clinical site for nursing students from Tennessee Technological University's BSN program and the Livingston State Area Vocational School's licensed practical nurse program. CRMC also serves as a training site for students from Volunteer State Community College and students doing clinical rotations in radiology and ultrasound. CRMC is also affiliated with Roane State Community College and with Chattanooga State Technical Community College and has nuclear imaging students and MRI students doing their clinical rotations with them.

CRMC is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) with the most recent accreditation date of March 9, 2009. The applicant's most recent survey occurred on 3/22/07 and deficiencies were noted in the areas of building standards, life safety, nursing services, and facility structure and equipment. A plan of correction was submitted to the Middle Tennessee Regional Office on March 27, 2007.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: State Health Plan 2012 Edition*

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTHCARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   This criterion is not applicable.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

   The above criterion is not applicable.

3. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

   Currently, the CSS at CRMC has 9,226 square feet and is equipped with 2 washer/disinfectors, 1 small sterilizer, 2 medium sterilizers, 1 cart wash, and 1 sonic washer. All of the equipment is over 12 years old and in need of constant repair. The work load has increased dramatically over the last 5 years with no increase in

equipment or space. In 2008, the applicant reports 7,178 carts compared to 9,294 in 2011. Additionally in 2008, 68,458 instrument sets were processed compared to 82,468 in 2011. This project proposes to increase the size of the CSS from 9,226 square feet to 15,368 square feet. In addition, all sterilizing equipment will be replaced with 4 washer/disinfectors, 4 sterilizers (2 automated), 1 large capacity cart washer and 1 sonic washer that are validated for da Vinci robotic wrists.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The Pharmacy currently occupies 4,155 square feet and is undersized, landlocked and has no room for expansion. This project will expand the size of the pharmacy to 5,781 square feet and will allow room for expansion of additional hoods for sterile compounding, as well as an additional medicine carousel.

Expanding the CSS in the current local and relocating the pharmacy to shell in space on the first floor was deemed more practical and less likely to have an impact on timeliness of the inpatient pharmacy services.